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**INTRODUCTORY NOTE**

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from : General Secretariat of the Council

to : Coreper

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Subject : **PREPARATION OF THE TTE (ENERGY) COUNCIL ON  
15 FEBRUARY 2007**  
**Energy Policy for Europe**  
Contribution of the Council (Energy) to the 2007 Spring European Council  
- *Council conclusions*

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**I. Introduction**

1. Following Coreper's discussion last Friday and additional work of the Working Party on Energy on 6 February the Presidency prepared the attached revised draft conclusions. Its understanding is that, subject to delegations' scrutiny reservations and DK parliamentary reservation, this text is acceptable to most delegations in all respects with the exception of the issues outlined in section II and concerning:
  - The nature of the targets for renewables and biofuels and the level of the target for biofuels
  - The options to be considered for achieving an effective separation of activities on the gas and electricity markets
  - The reference to nuclear energy in section V of the conclusions

2. These conclusions leave a number of elements open for the more in-depth discussions that will take place on the basis of individual Communications submitted (e.g. on renewables or the internal market) or to be submitted (e.g. on the Strategic Technology Plan) by the Commission as well as future proposals. While striving for consistency between different policy areas, these conclusions are also taking into account that discussions on certain subjects (e.g. detailed policy on Climate change, post-PCA agreement with Russia) are primarily taking place in other fora than the Council(Energy), are still ongoing or will be pursued, e.g. at the June TTE Council. A further point worth bearing in mind is that the envisaged Action Plan only covers the 2007-2009 period and cannot therefore simultaneously include all the, sometimes very detailed, individual demands however legitimate they may be. Delegations should also bear in mind that, as stated in paragraph 4 of the conclusions:
- Some priority actions may contribute to more than one of the three objectives (e.g. security of supply and internal market)
  - The better regulation principles, notably on impact assessment, should be taken into account for all new measures; they are therefore not repeated throughout the text.

## **II. Pending issues**

### 3. Section II Energy efficiency and renewable energies (p.6-7)

Delegations' main concerns are related to the nature <sup>1</sup> of the targets envisaged for renewables and biofuels (binding as suggested by the Commission and supported by some delegations, or indicative e.g. as in the existing legislation on renewables) and the level of the target for biofuels (12.5% as proposed by the Presidency or 10% as proposed by the Commission and supported by a large number of delegations).

Coreper is invited to solve these issues in the same way for both the Energy and Environment Councils conclusions, without prejudging the nature of the targets that the Commission may wish to retain for future proposals.

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<sup>1</sup> The same issue arises in the context of the preparation of the Council (Environment) contribution (see doc. 5823/07, paragraph 17).

*The current text states upfront (para.5) the importance of "sharing efforts and benefits fairly and equitably, taking into account different national circumstances, potentials and starting points", "calls for an early review of supporting Community instruments", provides for further "differentiated ...national ..targets" as well as additional conditions (e.g. for biofuels with reference to cost-effectiveness, commercial availability of 2nd generation biofuels) and flexibility ("leaving it to Member States to decide on national sectoral targets").*

4. Section III Internal market (p. 8)

Most delegations can accept the current text, including delegations holding opposite views on the best way forward to address the deficiencies identified by the Commission, as they recognize that this text is sufficiently open and flexible in terms of options to be considered for the interrelated issues of the next step in the liberalisation process of the energy market, how to improve its regulation notably regarding cross-border issues and how to improve (transmission) network operation.

A few delegations however believe that there is merit in spelling out other options or sub-options besides that of ownership unbundling and independent system operator proposed by the Commission. These delegations confirm that what could appear in the wider range of options to consider would not amount to simply the status quo and would have to reflect the appropriate balance to be ensured between effective, and possibly, strengthened regulation and increased competition.

In the interest of getting full agreement on the conclusions and without prejudice to detailed discussions that will have to take place, including on the basis of Commission proposals, Coreper is therefore invited to consider whether and under what conditions a wider range of options could be reflected in the text (para. 9). While duly noting that the treatment of the separation of activities may have to be differentiated according to the sector (gas/electricity) or network (transmission/distribution) considered it is suggested to reserve this important aspect for later consideration.

5. Section V Energy technologies (p.10)

The only remaining difficulty concerns para. 14 on nuclear energy where a limited number of delegations maintain reservations on the first indent ("notes the Commission's assessment...") while other delegations, including those which would like to put more emphasis on the contribution of nuclear energy e.g. to climate change objectives, could accept the Presidency compromise.

*In this respect it has to be noted that the current text puts the emphasis on further safety development in the nuclear sector, instead of promoting this form of energy, recalls that although it is up to each Member State to decide to make use of this source this has to be done while improving safety and simply notes the Commission's assessment without endorsing it or qualifying it.*

### **III. Conclusion**

10. Coreper is invited to resolve the issues outlined in section II on the basis of the attached draft conclusions, with a view to their adoption at the TTE (Energy) Council on 15 February.
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## CONCLUSIONS

### ENERGY POLICY FOR EUROPE

#### A contribution of the Council (Energy) to the 2007 Spring European Council

#### *I. Introduction*

1. The Council welcomes the Energy package tabled by the Commission, in particular the Communication of 10 January 2007 to the European Parliament and Council entitled “An Energy Policy for Europe”, and welcomes the Commission's intention to put forward a new Strategic Energy Review every two years. It recalls the EU's strategic objective on climate change, which aims to limit the global average temperature increase to not more than 2°C above pre-industrial levels. The Council therefore supports ambitious overall EU targets for reducing greenhouse gas emissions for 2020 as a key component of the global action required to achieve this climate change objective, taking into account national circumstances. The Council acknowledges that the impacts of dangerous climate change resulting from increased greenhouse gas emissions would have grave consequences, inter alia for global economic development, and therefore underlines the need for an integrated climate and energy policy, in a mutually supportive way. The Commission's proposal for an Action Plan for an Energy Policy for Europe (EPE) for the next three years is a comprehensive contribution to achieving the priorities set by the European Council in 2006 in this respect and an excellent basis for demonstrating the European Union's leadership.
2. The Council takes due note of the resolution adopted on 14 December 2006 by the European Parliament on a European strategy for sustainable, competitive and secure energy.
3. It reaffirms that the EPE should contribute in a balanced way to the following three objectives, while fully respecting Member States' choice of energy mix and sovereignty over primary energy sources:
  - increasing security of supply;
  - ensuring the competitiveness of European economies and the availability of affordable energy;
  - promoting environmental sustainability.

The Council notes that Member States' choice of energy mix may have effects on the energy situation in other Member States, in particular within the single gas and electricity markets. It realises the massive investment required in order to implement the Action Plan and the need for a predictable and coherent legislative environment.

4. Against this background, the Council highlights the following priorities to be endorsed by the 2007 Spring European Council when adopting its Action Plan, noting that some of these priority actions may contribute to more than one of the three objectives mentioned in paragraph 3 and stressing that new measures should take into account the better regulation principles, notably as regards impact assessments:

## ***II. Energy efficiency and renewable energies***

5. The Council is aware of the growing demand for energy and increasing energy prices as well as of the benefits of strong and early common international action on climate change, is confident that a substantive development of energy efficiency and of renewable energies will enhance energy security, curb the projected rise in energy prices and reduce greenhouse gas emissions in line with the EU's ambitions for the period beyond 2012, and underlines that the savings potential and targets for renewables and biofuels referred to below should be achieved with a view to sharing efforts and benefits fairly and equitably among all Member States, taking into account different national circumstances, starting points and potentials.
6. In that light, the Council:
  - urges Member States to achieve the EU's energy consumption saving potential of 20% compared to projections for 2020, as estimated by the Commission in its Green Paper on Energy Efficiency, and to make good use of their National Energy Efficiency Action Plans for this purpose;
  - calls for a thorough and rapid implementation of the ambitious five main priorities as highlighted in the Council conclusions of 23 November 2006<sup>1</sup> on the Commission's Action Plan on Energy Efficiency, relating to energy-efficient transport, dynamic minimum efficiency requirements for energy using equipment, energy efficient and energy saving behaviour of energy consumers, energy technology and innovations and the energy savings from buildings;
  - welcomes the Commission's intention to put forward in 2007 a proposal for a new international agreement on energy efficiency in order to develop common global efforts towards promoting energy efficiency, bearing in mind that such an agreement should be complementary to EU energy efficiency policy;
  - supports the use of international negotiations to encourage sustainable methods of production and to promote international trade in environmental and energy-efficient goods and services;

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<sup>1</sup> 15210/06

- calls for an early review of the Community guidelines on State aid for environmental protection and other relevant Community instruments which can provide incentives, with the aim of making them more supportive of the Community's energy and climate change objectives.
7. The Council reaffirms the Community's long-term commitment to the EU-wide development of renewable energies beyond 2010, underlines that all types of renewable energies, when used in a cost-efficient way, contribute simultaneously to security of supply, competitiveness and sustainability, and is convinced of the paramount importance of giving a clear signal to industry, investors, innovators and researchers. For these reasons, it endorses the following EU-level targets:
- a [binding] target of a [20] % share of renewable energies in overall EU energy consumption by 2020;
  - a [12,5] % [binding] minimum target to be achieved by all Member States for the share of biofuels in overall EU transport petrol and diesel consumption by 2020, to be introduced in a cost-efficient way. This target is appropriate, provided that production is sustainable, that second-generation biofuels become commercially available and the Fuel Quality Directive is amended accordingly to allow for adequate levels of blending.

From the overall renewables target, differentiated [binding] national overall targets should be derived with Member States' full involvement and, subject to meeting the minimum biofuels target in each Member State, leaving it to Member States to decide on national targets for each specific sector of renewable energies (electricity, heating and cooling, biofuels).

In order to meet these targets, the Council:

- calls for a coherent framework for renewable energies which could be established on the basis of a Commission proposal in 2007 for a new comprehensive directive on the use of all renewable energy resources. This proposal should be in line with other Community legislation and could contain provisions as regards:
  - = Member States' overall national targets;
  - = National Action Plans containing sectoral targets and measures to meet them; and
  - = criteria and provisions to ensure sustainable production and use of bioenergy and to avoid conflicts between different uses of biomass.
- calls for a thorough and rapid implementation of the measures highlighted in the June 2006 Council conclusions<sup>2</sup> on the Commission Biomass Action Plan, notably as regards demonstration projects for second-generation biofuels.

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<sup>2</sup> doc. 9669/06.

8. The Council underlines the central role that emissions trading must play in the EU's long-term goals to reduce GHG emissions, and stresses the importance of the review by the Commission of the EU Emissions Trading Scheme in delivering an improved EU ETS that provides a market-based, cost-effective means to deliver emissions reductions at minimum cost - including as regards energy-intensive industries - and to make a major contribution to the EU's overall targets.

### **III. Internal Market for Gas and Electricity**

9. Taking note of the Commission's internal market report and the final report following the sector inquiry on the gas and electricity markets, with the aim of increasing competition, ensuring effective regulation and encouraging investment to benefit consumers, the Council:

- reaffirms that to achieve this aim the first step, to which it is committed, is to ensure timely and full implementation in letter and in spirit of existing Internal Market legislation relating to the opening up of the gas and electricity markets, since a truly competitive, interconnected and single Europe-wide internal energy market that will have major benefits for competitiveness and EU consumers as well as increasing security of supply has not yet been achieved;
- notes the interaction between investment decisions and the development of the regulatory framework, and is therefore of the opinion that future measures affecting the internal market have to be designed and implemented in a way that provides a positive framework for much-needed investment;
- invites the Commission to elaborate measures taking account of the characteristics of the gas and electricity sectors and of national and regional markets and ensuring, including through the development of existing legislation where possible:
  - effective separation of supply and production activities from network operations (unbundling), taking into consideration different options such as in particular an independent system operator and ownership unbundling;
  - further harmonisation of the powers and strengthening of the independence of national energy regulators;
  - the establishment of an independent mechanism for national regulators to cooperate and take decisions on important cross-border issues;
  - the creation of a new Community mechanism for Transmission System Operators to improve coordination of network operation and grid security building on existing cooperation practices;
  - a more efficient and integrated system for cross-border electricity trade and grid operation, including elaboration of technical standards;
  - the enhancement of competition and security of supply through facilitated integration of new power plants into the electricity grid in all Member States, in particular encouraging new market entrants;

- relevant investment signals contributing to the efficient and more secure operation of the transmission grid;
- increased transparency in energy market operations;
- better consumer protection, e.g. through the development of an Energy Customers' Charter.

Moreover, the Council invites the Commission:

- to provide additional clarifications related to the key measures envisaged and their impacts in time for the June Council (Energy);
- to elaborate together with Member States the medium- and long-term forecasts for gas and electricity supply and demand, and to identify the additional investment required to satisfy EU strategic needs;
- to assess the impact of vertically integrated energy companies from third countries on the internal market and how to implement the principle of reciprocity;
- to assess access to gas storage in the EU.

10. Reaffirming the need for improved regional cross-border exchange and accelerating the development of regional energy cooperation while addressing the challenges of peripheral energy markets and facilitating the integration of regional ones into the EU internal market and its further development, notably through interconnection, taking into account the integration of on- and off-shore renewable energies, the Council:

- welcomes, as a first step, the Commission's intention to appoint where necessary, in accordance with Article 10 of Decision 1364/2006/EC, European coordinators to accelerate the most critical priority projects of European interest<sup>3</sup>; it notes, however, that new projects are needed in order to achieve adequate interconnection in particular of isolated energy markets and asks the Member States concerned to achieve at least 10% of electricity and gas interconnection capacity by 2010.
- invites the Commission to table proposals aiming at streamlining approval procedures.

#### ***IV. Security of Supply***

11. In order to contribute to security of supply in a spirit of solidarity between Member States, notably in the event of an energy supply crisis, the Council:

- underlines the need to enhance security of supply for the EU as a whole as well as for each Member State through:

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<sup>3</sup> Priority projects of European interest are listed in Decision 1364/2006/EC of the EP and of the Council. Regarding coordinators and without prejudice to further appointments, the Council notes that in its Communication, the Commission envisages the following projects: the Power-Link between Germany, Poland and Lithuania; connections to offshore wind power in Northern Europe; electricity interconnections between France and Spain; and the Nabucco pipeline, bringing gas from the Caspian to central Europe.

- effective diversification of energy sources and transport routes, which will also contribute to a more competitive internal energy market;
- developing more effective crisis response mechanisms, on the basis of mutual co-operation and building notably on existing mechanisms, considering a wide range of options after careful assessment of existing means, taking into account the primary responsibility of Member States regarding their domestic demand, and making appropriate use of the warning capacity provided by the network of energy security correspondents;
- improving oil data transparency and reviewing EU oil supply infrastructures and oil stocks mechanisms, complementary to the IEA crisis mechanism, especially with respect to availability in the event of a crisis;
- a thorough analysis of the availability and costs of gas storage facilities in the EU;
- an assessment of the impact of current and potential energy imports and the conditions of related networks on each Member State's security of supply;
- establishing an Energy Observatory within the Commission.

## V. *Energy Technologies*

12. Recognizing the need to strengthen energy research in particular to accelerate the competitiveness of sustainable energies, notably renewables, and low carbon technologies and the further development of energy efficiency technologies, the Council:
- welcomes the Commission's intention to table a European Strategic Energy Technology Plan during 2007 for consideration at the latest by the 2008 Spring European Council.
13. Aware of the huge possible global benefits of a sustainable use of fossil fuels, the Council:
- underlines the importance of substantial improvements in generation efficiency and clean fossil fuel technologies;
  - urges Member States and the Commission to work towards strengthening R & D and developing the necessary technical, economic and regulatory framework to bring environmentally safe carbon capture and storage (CCS) to markets, if possible by 2020.
  - welcomes the Commission's intention to establish a mechanism to stimulate the construction and operation by 2015 of up to 12 demonstration plants of sustainable fossil fuel technologies in commercial power generation.
14. Recalling that the EPE will fully respect Member States' choice of energy mix, the Council:
- notes the Commission's assessment of the contribution of nuclear energy;
  - confirms that it is for each and every Member State to decide whether or not to rely on nuclear energy and stresses that this has to be done while further improving nuclear safety and the management of radioactive waste, and to that effect it:
    - supports R & D on waste management, particularly under the 7th Framework Research Programme;
    - can envisage the creation of a high-level group on nuclear safety and waste management.

## VI. *International Energy Policy*

15. The development of a common approach to external energy policy has to be speeded up, involving consumer-to-producer as well as consumer-to-consumer and consumer-to-transit countries, dialogues and partnerships including through organisations such as OPEC. To that effect, the Council:

- emphasises the following as essential elements when further developing the “single voice” of the EU in support of the three energy policy objectives:
  - negotiating and finalising a post-partnership and cooperation agreement with Russia in particular relating to energy issues <sup>4</sup>;
  - intensifying the EU relationship with Central Asia, the Caspian and the Black Sea regions, with a view to further diversifying sources and routes;
  - strengthening partnership and cooperation building on the bilateral energy dialogues with the USA as well as with China, India and other emerging economies, focusing on the reduction of GHG, energy efficiency, renewables and low-emission energy technologies, notably CCS;
  - ensuring the implementation of the Energy Community Treaty, with a view to its further development and possible extension to Norway, Turkey, Ukraine and Moldova;
  - making full use of the instruments available under the European Neighbourhood Policy
  - enhancing energy relationships with Algeria, Egypt and other producing countries in the Mashrek/Maghreb region <sup>5</sup>;
  - building a special dialogue with African countries on energy and using Community instruments to enhance in particular decentralised renewable energies and generally energy accessibility and sustainability in this region, as well as energy infrastructure of common interest;
  - promoting access to energy in the context of the UN-CSD .

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<sup>4</sup> This formulation is without prejudice to on-going discussions on the negotiating mandate for the post-PCA agreement.

<sup>5</sup> Bearing in mind the GAERC conclusions of 22 January 2007 (5463/07).