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NOTE

from:	Presidency
to:	Council
Subject:	Follow-up to the European Council - *Progress report*

The attached progress report, drawn under the Presidency's responsibility, outlines the main steps and initiatives taken in response to the orientations set by the European Council last February (EUCO 2/11) and further developed by the TTE Council on 28 February (6207/1/11). This report is also intended to assist in preparation of the December European Council`s tracking of progress made in the energy policy area as requested by the conclusions of the October European Council (EUCO 52/11).

Without prejudice to ongoing work, e.g. on energy from renewable sources or on the implementation of the Strategic Energy Technology Plan, the report addresses five policy areas for which deadlines or priorities have been set, namely Energy efficiency, Internal Energy Market, Infrastructure, External Energy relations and Nuclear.

Council is invited to take note of this report.

Progress report on the follow-up to the European Council`s orientations on Energy

1. **Energy efficiency:**

In light of the contribution of energy efficiency to competitiveness, security of supply and sustainability and of the 20% target to be reached by 2020 the European Council called for the adoption of a new Energy Efficiency Plan, which was done by the Council on 10 June (10709/11) on the basis of a Commission Communication: this EEP sets out a number of priority areas in the public sector, buildings, industry and the energy sector and identify ways to encourage consumer choices more supportive to energy efficiency.

Besides the EEP the Commission, in June, tabled a proposal for a Directive on Energy Efficiency addressing efficiency targets, efficiency in energy use (public bodies, obligation schemes, audits, billing), efficiency in energy supply (heating and cooling, transformation, transmission and distribution) and energy services. This proposal is the subject of in-depth examination by the Council (see detailed report in 16165/11) and the European Parliament with a view to facilitating its early adoption.

Energy efficiency is also promoted in an international context as was for instance the case at the EU-Brazil Summit in October or in a bilateral one with the recent completion of the negotiations of the EU-US Energy Star agreement on energy efficient office equipment.

2. **Internal Market:**

The internal market for electricity and for gas should be completed by 2014, which requires significant efforts by key stakeholders at national level (Member States, regulators, transmission system operators [TSOs]) as well as EU level (ACER, ENTSOs, Commission) in order to develop and harmonise the required market rules and network rules, promote regional initiatives and regional markets integration, and implement the internal market legislation.

Regarding the regulatory work for both markets, as assessed end of September on the occasion of the "Getting to 2014" Conference participants, including regulators and TSOs, appear reasonably confident that the regulatory process is on track and that most of the required rules will have been adopted in time. In the same vein ambitious time tables for the various steps (from balancing to forward markets) leading to market integration were presented.

The work of regulators at EU level is facilitated since last March by the official opening of ACER, the Agency for the Cooperation of Energy Regulators.

On the legislative front although one could note the timely adoption, last October, of the Regulation on energy market integrity and market transparency, REMIT, which will provide clear rules on energy trading, one has also to note that, as reported by the Commission, the full implementation of the Third Internal Energy Market package, due to be transposed by 3 March 2011, has yet to take place in a number of Member States. .

Moreover, as noted at various formal and informal meetings of Energy Ministers, lastly at the informal Ministerial in Wroclaw (19-20 September), progress in market integration makes it all the more important to ensure timely consultation between Member States when decisions significantly affecting the fuel-mix or the generation capacity of one or more Member States are considered.

3. Infrastructure:

The work programme concerning the development of infrastructure in Europe, a prerequisite for a fully interconnected internal market, is largely progressing according to plan. On the financing side information on financial needs and obstacles to investment was provided by the Commission at the June TTE Council and a proposal for a Regulation establishing the Connecting Europe Facility, with € 9.1 billion dedicated to energy infrastructure, was presented on 24 October.

On the infrastructure side proper one can first note that the European Networks of TSOs (ENTSOs) for Electricity and for Gas are well advanced in the development of the ten-year network development plans (TYNDP) for 2012 onwards and that a proposal for a Regulation on guidelines for trans-European energy infrastructure was presented on 24 October. This proposal would give priority to twelve strategic trans-European energy corridors and areas and addresses the selection of projects of common interest, the streamlining of authorisation procedures, cost-allocation rules Its examination is under way, including on the occasion of the TTE Council on 24 November (see 16148/11).

4. External energy relations:

The European Council called for better coordination of EU and Member States activities (such as those that are reported in detail in 16143/11) with a view to ensuring consistency and coherence in the EU external energy relations and outlined orientations to that effect. In response the Commission, in September, tabled a Communication on Security of supply and International Cooperation which provides the basis for the comprehensive conclusions to be adopted by the TTE Council on 24 November: these conclusions address the strengthening of the coordination of the external dimension of the EU energy policy and the EU cooperation with third countries, the deepening of energy partnerships. and the support to developing economies.

In relation with the European Council`s call for information on bilateral energy agreements with third countries the Commission tabled a proposal for an information exchange mechanism with regards to Intergovernmental agreements between Member States and third countries, currently under examination by the Council.

5. Nuclear:

The concern for nuclear safety, already noted by the February European Council, was taken up further by the March European Council as reflected in its call for the conduct of comprehensive and transparent risk and safety assessment ("stress tests") of EU nuclear plants and the carrying out of similar tests in neighbouring countries and worldwide.

In May, ENSREG, the European Nuclear Safety Regulators Group, and the Commission agreed that a two-track process should be put in place to cover the safety and the security aspects. As regard the safety track, under the competence of nuclear safety regulators, the scope and modalities of the tests have been agreed and the tests officially started on 1 July. As regards the security track a dedicated Presidency-chaired group on nuclear security (AHGNS) was established in July. The intensive work pursued at national level as well as by the relevant bodies (ENSREG, AHGNS) at EU level will allow their respective reports to be presented in time for the December European Council, in the form of a Commission Communication, expected to be adopted on 23 November.

At the same time the EU continues to develop its regulatory framework with the adoption last July of the Directive establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste.