



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: General Secretariat of the Council
to: Delegations

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Subject: Communication from the Commission to the European Parliament, the Council,
the European Economic and Social Committee and the Committee of the Regions
- Renewable Energy : a major player in the European energy market
= *revised Draft Council conclusions*

With a view to the meeting of the Working Party on Energy on 9 October 2012, building on comments received from delegations, the Presidency has prepared a revised draft for Council conclusions on the above.

Changes of substance compared to 12721/1/12 REV 1 are underlined, while deletions are marked "[...]".

Draft Council conclusions on Renewable Energy

THE COUNCIL OF THE EUROPEAN UNION

RECALLING that the objective to achieve a share of 20% of renewable energy sources in the Union's energy consumption is part of the headline targets under the Europe 2020 Strategy;

NOTING with satisfaction that, according to estimates of the Commission, the EU is currently on track to achieve its renewables goals;

STRESSING that the Directive on renewable energy sources is providing certainty to investors and a stimulus up to 2020 and ACKNOWLEDGING that it has already resulted in a significant increase in renewable energy in the EU;

UNDERLINING therefore that a longer-term perspective would have a positive influence on investments, given the long planning and investment horizon for renewable energy sources;

EMPHASISING the contribution of renewable energy sources (RES) to the EU energy policy goals as suggested in the Commission's Energy Roadmap 2050 which found that any decarbonisation scenario for Europe's energy supply requires a substantially higher share of renewable energy in EU gross final energy consumption beyond 2020, including in 2030;

EMPHASISING equally the contribution of renewable energy to the EU growth and job objectives and the opportunities offered by the development of RES, including through energy produced locally, for security of supply and for the balancing of consumption and production in accordance with the principles of the internal energy market;

WELCOMING the presentation by the Commission of its Communication "Renewable Energy: a major player in the European energy market";

Sets out the following priorities:

1. Internal electricity market opening:

- The completion of the internal energy market in electricity (and gas) by 2014 as called for by the European Council will facilitate market participation of new and more players, including a growing number of small and medium-sized enterprises producing renewable energy;
- Full implementation of the internal energy market legislation and an adequate development of interconnections need[...] to be ensured, including the removal of structural deficits in market liberalisation which continue to hinder the competitiveness of renewable energy technologies;
- [...] The Commission is invited to identify the appropriate steps to be taken to ensure that market arrangements are consistent with single market rules and the integration of RES and are developed and improved to deliver effective price signals and to contribute to the affordability of RES;¹
- While maintaining the electricity market as a competitive market, market arrangements should facilitate the integration of an increasing number of power producers, [...] and encourage [...] flexibility so that all producers can participate more effectively in balancing markets;
- The first response to clearly identified energy market distortions has to be measures to improve market functioning. There is therefore a need for the rationalization and the phasing out of environmentally or economically harmful subsidies including for fossil fuels. Member States may wish to take into account the impact of such measures on the most vulnerable groups in society through appropriate social policy instruments.

2. Better market integration of RES:

- The more open and transparent markets are, the easier the access for renewables and their establishment in the market will be;
- In ensuring that RES become fully competitive, the different stages of maturity of the various technologies must be taken into account;
- [...]

¹ Pending Commission communication now expected for November/December.

- A well-functioning carbon market [...] has an important role to play to give investors strong incentives to invest in low-carbon technologies;
- While recognising the need to sufficiently incentivise renewables to deliver 2020 targets, support schemes need to be improved through simpler administrative regimes, stability and reliability, and easier access to capital. Bearing in mind national specificities, support should gradually be phased out for new projects when the economic viability of certain types of renewable energy is achieved in the respective Member States, in order to allow for gradual integration into the market and to encourage technology competitiveness;
- Some well-targeted and cost-effective [...] post-2020 support which does not cause inefficiencies in cross-border trade of electricity, avoids over-compensation, promotes innovation and creates greater consistency among Member States may be needed, depending i.a. on the maturity of technologies;
- Non-binding guidance from the Commission on support scheme reform towards facilitating better market integration will be welcomed, based in particular on experience gained and best practices identified in Member States, in full respect of different national circumstances and the subsidiarity principle [...];
- Such guidance should show ways for the most cost-efficient and effective deployment, for strengthening transparency and predictability and for stimulating innovations, to make support schemes more responsive to market signals and lower their costs, and to support renewables penetration levels and technology maturity, bearing technology neutrality in mind;
- Access to more affordable investment capital for RES development, such as through the European Investment Bank, the Structural Funds, innovative financial instruments [...] as well as [...] easier access to long-term liability institutions [...] should be facilitated. It is noted that appropriate financing arrangements will be all the more critical, particularly for small renewable producers, when support schemes are being phased out in the Member States;

3. Cooperation and trade:

- The tools provided by the Renewable Energy Directive regarding cooperation mechanisms should be [...] exploited, based on voluntary participation of Member States, to enhance cooperation and trade between Member States as a way to promote renewables in a cost-effective and dynamic manner within the Union;
- Noting the facilitating role of the Commission, guidance is welcomed as a priority to take full advantage of the potential within the EU, through reducing potential complexity in the use of cooperation mechanisms;
- Building on the enhancement, in a first instance, of cooperation and trade between Member States within the EU, strengthening cooperation with third countries can be an additional way to make better use of the renewables potential through cooperation mechanisms and trade, including through physical transfer of electricity to the EU and the transfer of experience and know-how available in the EU;
- New approaches to further develop international cooperation at bilateral and multilateral level, such as through energy cooperation in the Mediterranean and the Black Sea, should build on existing positive examples, such as in the Northern Seas;
- [...] International cooperation [...] needs to be based on a sound regulatory framework and the Union *acquis* on renewables, such as within the Energy Community, in order to increase stability and reliability of such cooperation;
- These principles of cooperation should be applied to all neighbouring regions through existing frameworks such as the European Neighbourhood Policy and Euromed.

4. Infrastructure and consumers:

- An early agreement on the energy infrastructure package, including more effective permit granting procedures and cost sharing rules, is essential to facilitate better integration of electricity from renewable energy sources such as from wind and solar energy and to underpin a truly integrated EU electricity market;
- Consideration should furthermore be given on ways and means to strengthen the potential for development of RES in an integrated, secure and cost-efficient way, in relation to grid infrastructure (e.g. addressing loop flows), storage, back-up capacity and better operational solutions;

- More intelligent metering systems will increasingly allow for involvement of more market players, aggregated distributed generation and demand management, building on existing legislation;
- Transmission and distribution grids and smart grids need to be developed so as to be capable of handling generation from multiple small producers and widespread distributed generation, often in the form of micro generation, from "consumer-producers";
- More attention should be paid to the widely untapped potential of renewables in the heating and cooling sector and to the interdependencies between and opportunities arising from increased renewable energy use on the one hand and the implementation of the Energy Efficiency and Buildings Directives on the other.
- Consideration should be given, in addition to the implementation of the relevant provisions of the Renewable Energy Directive, taking into account specific national circumstances, on how to further improve and simplify planning and permitting processes to address permitting issues specific to renewables, e.g. larger number of permits compared to other energy sources of an equivalent scale, which can constitute barriers to the development of RES [...];
- Consumers need to be made more aware of the economic, social, environmental and technological benefits resulting from a greater use of cost-efficient RES, including the need for important new transmission links to facilitate renewables integration and RES micro-generation, while public acceptance issues, both in terms of infrastructure development and spatial planning, as well as affordability of prices, also need to be addressed;
- In relation to guarantees of origin, to further empower consumers, clarifications by the Commission would be welcomed on the best way to achieve consistent application of fuel mix disclosure at EU level which ensures that consumers are provided with accurate information.

5. Technology innovation and Sustainability:

- Recognising the continued need for public and private investments in R&D and technological innovation, well-targeted R&D through existing instruments needs to be made more effective, and the SET-Plan¹ should be developed to continue to boost new generations of key renewable energy technologies and address the challenges of balancing, intelligent solutions, demand-side measures, new IT technologies, electricity storage etc.;
- The Commission's upcoming Communication on energy technology is expected to identify future R&D needs and challenges and develop approaches to drive innovation forward on a range of renewable energy technologies and thus support EU competitiveness and the transition towards a sustainable energy mix as part of a strong European industrial policy which i.a. aims at developing safe and sustainable technologies;
- The challenge in developing RES not only needs to focus on making the relevant technologies more attractive and cost-efficient, but also to ensure that their entire life-cycle remains sustainable;
- Therefore, further consideration needs to be given to the economic, environmental and social aspects of production and use of RES; in this context, early finalisation of the Commission impact assessment announced in its 2010 report on indirect land-use change, together with conclusions to be drawn from this assessment, will be an important stepping stone;
- In particular the expected rise in the use of biomass in the coming years heightens the need to use biomass resources in a sustainable manner and calls for strengthening the EU's sustainability framework, without setting new barriers for the development of the bioenergy market or automatically creating separate sustainability criteria and schemes for different uses of the same biomass;

¹ AT would like to recall its statement to the minutes of the Council on 28 February 2008 regarding the SET-Plan.

6. Next steps:

- The Commission is invited to present non-binding guidance on the further improvement of support schemes in order to achieve further cost reduction and market integration, and on the implementation of the cooperation mechanisms;
- With a view to preparing the basis for the discussion for a post-2020 perspective for renewable energy sources, suitable options to maintain and foster a policy framework that will continue to be supportive of RES and addresses remaining market or infrastructure inadequacies need to be considered thoroughly and timely in the coming years, whilst giving due consideration to all the objectives of EU energy policy;
- In a first instance, to fully take into account the different national circumstances of Member States in terms of their potential to use renewable energy sources and develop energy infrastructure, the Commission should carry out relevant analyses of the impacts on prices for final consumers and on the competitiveness of individual Member State's economies, as well as an assessment of the benefits in terms of *i.a.* enhanced security of supply, reduced costs for fossil fuels, impacts on the environment and human health;
- The options presented by the Commission, without excluding any other possible scenarios, provide a basis for future deliberations, which will need to also take into account developments in the broader context of the climate-energy policy framework and technology innovation, and which need to ensure that the strong impetus provided by the current legislative framework is not lost and that the potential for growth and employment from strong RES use is fully captured;
- The Council invites the Commission, when presenting in appropriate time and after thorough analysis and discussion, a general 2030 framework for EU energy policy, to base it on, inter alia, the experience gained with the current RES policy framework, including its cost-effectiveness and the interactions between different targets and instruments, and its implementation. Such framework should also be consistent with long-term EU climate objectives and supportive of security of supply, innovation and competitiveness.