



**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
= *Draft Council conclusions*

With a view to the meeting of the Working Party on Energy on 25 September 2012, building on the outline for draft Council conclusions as contained in 12721/12 and the comments received from delegations, the Presidency has prepared a draft for Council conclusions on the above.

Changes of substance compared to 12721/12 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 that, according to estimates of the Commission, the EU is currently on track to achieve its renewables goals;

ACKNOWLEDGING that the Directive on renewable energy sources is providing certainty to investors and a stimulus up to 2020,¹

UNDERLINING however that a longer-term perspective is necessary to maintain predictability and certainty for investors, given the long planning and investment horizon for renewable energy sources;

EMPHASISING the contribution of renewable energy sources 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 renewable energy shares to grow to between 55 % and 75 % by 2050;

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 Moved from section 6 "Next steps".

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 players, including producers of RES, which are often small and medium-sized enterprises;
- Full implementation of the internal energy market legislation needs to be ensured, including the removal of structural deficits in market liberalisation which continue to hinder the competitiveness of renewable energy technologies;
- [With a view to the forthcoming Commission Communication on the Internal Energy Market, the Commission is invited to identify the appropriate steps to be taken to ensure that market arrangements are consistent with single market rules and are developed and improved to deliver effective price signals;¹
- Market arrangements [...] should facilitate the integration of multiple power producers, including more variable power from wind and solar energy, and encourage and reward flexibility so that they can participate more effectively in balancing markets.

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 technology must be taken into account;
- Further action is necessary to address subsidies that are detrimental to RES market integration;
- A functioning carbon market and energy taxation have an important role to play to give investors strong incentives to invest in low-carbon technologies;
- Support schemes need to be improved and should gradually be phased out when the economic viability of certain types of renewable energy is achieved, in order to allow for gradual integration into the market and to encourage technology competitiveness;
- Some well-targeted, cost-effective and technology-specific post-2020 support which does not cause inefficiencies in cross-border trade of electricity, avoids over-compensation and ensures convergence across Member States, may be needed;

¹ Pending upcoming Commission communication expected in October.

- Non-binding guidance from the Commission on support scheme reform towards market oriented schemes 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, and bearing technology neutrality in mind;
- Such guidance should show ways for the most cost-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 support penetration levels and technology maturity, while avoiding disruptive effects on the markets by "stop-and-go" support systems and retroactive changes;
- Access to more affordable investment capital for RES development, such as through the European Investment Bank, the Structural Funds, innovative financial instruments (e.g. NER-300), setting up of national green investment banks as well as involving more and facilitating access to long-term liability institutions such as pension funds should be facilitated;

3. Cooperation and trade:

- The tools provided by the Renewable Energy Directive regarding cooperation mechanisms should be fully exploited to enhance cooperation and trade as a way to promote renewables in a cost-effective and dynamic manner across the Union;
- Noting the facilitating role of the Commission, guidance is welcomed as a priority to fully capitalise on the potential within the EU, through reducing complexity in the use of cooperation mechanisms;
- 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 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 North Sea;
- Firmly incorporating such approaches in the Union acquis on renewables increases stability and reliability of such international cooperation which needs to be based on a sound regulatory framework, such as within the Energy Community;
- Such principles of cooperation should be applied to all neighbouring regions through existing frameworks such as the European Neighbourhood Policy.

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 way, in relation to grid infrastructure (e.g. addressing loop flows), storage, back-up and better operational solutions;
- More intelligent meters and 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 renewable energy on the one hand and the implementation of the Energy Efficiency and Buildings Directives on the other.
- Consideration should be given on how to 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, which can constitute barriers to the development of RES, in the implementation of the relevant provisions of the Renewable Energy Directive;
- Consumers need to be made more aware of the economic, social and environmental benefits resulting from a greater use of cost-efficient RES, including 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 welcome on how best 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-Plan should be developed to continue to boost new generations of key 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 for 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 the production and use of the different renewable energies remain 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 creating new barriers for the development of the bioenergy market.

6. Next steps:

[...]

- With a view to preparing [...] a post-2020 perspective for renewable energy, 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 defined, whilst giving due consideration to all the objectives of EU energy policy;
- 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, relevant analyses of the impacts on prices for final consumers and on the competitiveness of individual Member State's economies should be carried out;
- The options presented by the Commission provide a basis for future deliberations, which will need to also take into account developments in the area of climate policy 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 a general 2030 framework for EU energy policy, to base it on, inter alia, the experience gained with the current RES policy framework and its implementation. Such framework should also be consistent with long-term EU climate objectives and supportive of security of supply, innovation and competitiveness.
