

**COUNCIL OF
THE EUROPEAN UNION****Brussels, 19 November 2012****16203/12****ENER 468
ATO 153
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from:	Presidency
to:	Coreper/Council
Subject:	Follow-up to the European Council
	- <i>Progress report and exchange of views</i>

The attached progress report, drawn under the Presidency's responsibility, updates last year report (16632/11) in outlining 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). Progress in delivering on these orientations has already been assessed by the December 2011 (EUCO 139/1/11) and March 2012 (EUCO 4/2/12) European Councils and will be further assessed by the December European Council as far as priority proposals of the Single Market Act I and orientations as regards the Single Market Act II are concerned (15628/12).

Without prejudice to ongoing work, e.g. on the implementation of the Strategic Energy Technology Plan for which a comprehensive Communication is foreseen next year, the report addresses six policy areas for which deadlines or priorities have been set, namely *Energy efficiency, Renewable energy, Internal Energy Market, Infrastructure, External Energy relations* and *Nuclear*.

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The Council will be invited to take note of the report set out at Annex A and to address the questions set out at Annex B.

Progress report on the follow-up to the European Council's orientations on Energy**1. Energy efficiency**

On top of the Energy Efficiency Plan adopted by the Council on 10 June 2011 (10709/11) a major achievement in this policy area was the adoption in October of Directive 2012/27/EU on Energy Efficiency¹ 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 Directive is due to be implemented by June 2014 and is expected to contribute approximately 17% to the energy efficiency target set for 2020.

As part of its response to the above mentioned Council Conclusions the Commission tabled a Communication on "Smart Cities and Communities - European Innovation Partnership" (14657/12). By scaling-up the efforts under the 2011 Smart Cities and Communities initiative at EU level, the urban energy efficiency component of the SET Plan, this Partnership across energy, transport and ICT aims to boost the development of innovative technologies in cities and communities to enhance their sustainability and will focus on industry-driven projects at the intersection of these three sectors in partnership with cities.

These developments were echoed in a bilateral context with the endorsement by the Council of, and the consent of the EP on the outcome of the negotiations of the EU-US Energy Star agreement on energy efficient office equipment. This agreement will be implemented in the EU through the EP and Council Regulation agreed with the EP this October.

2. Renewable Energy

While the evaluation of Member States national renewable energy action plans (NREAP) shows that the share of renewable energy in the EU final energy consumption could exceed the 2020 target there are concerns that growth of renewable energy could slow down after 2020².

¹ OJEU L 315, 14.11.2012

² As of 2010 this share stands at 12.5%

In response to these concerns the Commission Communication "Renewable Energy: a major player in the European energy market" (11052/12) look at the framework for renewable energy until 2020 and beyond and addresses four areas where efforts should be stepped up: *energy market, support schemes, cooperation mechanisms and Energy cooperation in the Mediterranean.*

On that basis detailed Council conclusions have been developed for adoption on 3 December (15834/12). They set orientations on *the internal electricity market opening, better market integration of renewable energy, cooperation and trade, infrastructure and consumers, technology innovation and sustainability, and next steps including as regards a post-2020 policy framework.*

3. Internal Market

With the 2014 deadline for the completion of the internal market for electricity and for gas looming closer efforts by key stakeholders at national level (Member States, regulators, transmission system operators as well as EU level (ACER, ENTSOs, Commission) need to be stepped up.

Indeed, although progress keeps being made, as illustrated e.g. by increased coupling on the electricity market and the resulting convergence of wholesale prices, increased gas-to-gas competition, enhanced reliability thanks to better interconnections, or with more network codes having been adopted in 2012, concerns remain be it with respect to the full implementation of internal market legislation, although the 3rd package was due to be transposed by 3 March 2011, with the limited benefits to consumers on retail markets or with the preservation of flexible markets.

These concerns are documented in the just released Communication "Making the internal energy market work" (16202/12), which provides an extensive assessment of the progress achieved and remaining challenges towards the 2014 deadline, both at national and EU level, and proposes an Action Plan to ensure the success of the internal energy market.

Regarding the regulatory work for both markets, as recalled in ACER 2013 work programme, the objective is to complete the work on those Network Codes which provide the minimum set of rules for supporting the completion of the Internal Energy Market by 2014, bearing in mind that these codes will then have to be adopted by comitology. To that effect Commission Decision 2012/413/EU of last July established the priority lists for the development of network codes and guidelines for 2013.

Regarding ACER, the extension of its tasks be it in relation with the implementation of the Regulation on energy market integrity and market transparency (REMIT) or of the soon to-be-adopted TEN-Energy Guidelines, raises the question of the adequacy of its resources.

Moreover, the recognition last year that market integration calls for timely consultation between Member States when decisions significantly affecting the fuel-mix or the generation capacity of one or more Member States are considered remains valid. In this respect the Electricity Coordination Group, now formally set up by the Commission on 15 November, should contribute to enhancing operational coordination.

4. Infrastructure

While the outcome of the overall negotiations on the Multiannual Financial Framework and of the proposed Regulation establishing the Connecting Europe Facility, which dedicates € 9.1 billion to energy infrastructure is still awaited, work concerning the development of infrastructure in Europe, a prerequisite to meet the 2015 deadline set for ending the isolation of certain Member States from the European gas and electricity networks as well as to complete a fully functioning, interconnected and integrated internal market by 2014, is largely progressing according to plan.

On the infrastructure side firstly the work of ENTSOs for Electricity and for Gas as regards the ten-year network development plans (TYNDP), with the 2012 electricity one finalised by ENTSO-E last July and the 2013 one for gas being under development, should be noted. Regarding infrastructure projects, negotiations with the EP are underway with a view to reaching agreement by the end of 2012 on a Regulation on guidelines for trans-European energy infrastructure which would give priority to twelve strategic trans-European energy corridors and areas and will address the selection of projects of common interest, the streamlining of authorisation procedures and the cost-allocation rules. The outcome of these negotiations will be reported at the TTE Council (see 16130/12) on 3 December and should allow for the adoption of the first Union-wide list of projects by mid-2013.

5. External energy relations

Work continues on the implementation of the comprehensive Council conclusions on strengthening the external dimension of the EU energy policy (17615/11) adopted last November and to be reviewed next year, in response to the European Council call for better coordination of EU and Member States activities, such as those that are reported in detail in 16135/12. Of particular significance are the ongoing negotiations with Azerbaijan and Turkmenistan on a Trans-Caspian pipeline and on an agreement with Russia and Belarus on electricity system operation of the Baltic Member States.

In relation with the European Council's call for information on bilateral energy agreements with third countries agreement was reached by the EP and the Council on Decision 994/2012/EU establishing an information exchange mechanism with regards to Intergovernmental agreements between Member States and third countries¹.

6. Nuclear

In response to the concern for nuclear safety noted by the 2011 February European Council and taken up further by the March and December European Councils the work on a comprehensive and transparent risk and safety assessment ("stress tests") of EU nuclear plants and its equivalent in neighbouring countries was carried out extensively in 2012.

¹ OJ EU L 299, 27.10.2012

This led first to the ENSREG report in April, further to the completion of the nuclear safety stress tests, and to the June 2012 European Council (EUCO 76/12) inviting Member States to ensure the full and timely implementation of the recommendations presented in this report. The European Council also called for the rapid implementation of the recommendations set out in the report produced by the Council Ad Hoc Group on Nuclear Security. This was followed by a Commission comprehensive Communication (14400/12) in October, which identified areas for further improvements and announced legislative initiatives aimed at further enhancing the EU regulatory framework i.a. as regards nuclear safety, insurance and liability.

Follow-up in terms of national actions plans with timetables for the implementation of the recommendations of the stress test is underway.

Questions for the exchange of views at Council

As noted in the progress report set out at Annex A as well as in the Communications referred to therein, notably on renewable energy (11052/12) and Internal Energy Market (16202/12), significant developments took place in 2012 in the policy areas covered by the orientations set by the European Council. In that light and bearing in mind the deadlines set by the European Council (2014 for the completion of the IEM and 2015 for networks) delegations are invited:

- to provide their assessment of the progress made in delivering on the orientations set by the EC in these areas
 - to highlight where they would see the need for more intensive efforts at EU level
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