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INFORMATION NOTE

from: General Secretariat of the Council

to: Delegations

Subject: International relations in the field of energy

- (a) Energy Charter
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 - (d) Southern Corridor
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Delegations will find attached factual information concerning the item "International relations in the field of energy" on the agenda of the TTE (Energy) Council on 3 December. The information under points (c), (d), (e) and (h) was provided by the Commission services.

(a) Energy Charter

The 23rd meeting of the Energy Charter Conference will take place on 26 and 27 November 2012 in Warsaw, Poland, by invitation of the Polish Government. The first day of the Conference will deal with institutional matters such as presentation of reports of the different Energy Charter Groups and adoption of the Work Programme for 2013 of the Energy Charter Secretariat. Furthermore, the Conference will be invited to adopt a mandate defining the modalities for negotiating an Updated Energy Charter. The second day of the Conference will be a Ministerial Session on the topic “Demands for Global Energy Governance and the Potential of the Energy Charter”.

(b) Energy Community

The 10th meeting of the Ministerial Council of the Energy Community was held in Budva, Montenegro, on 18 October. As key results, the Ministerial Council adopted decisions on the implementation by the Contracting Parties of the Directive on energy from renewable sources, as well as on Union acquis in relation to energy statistics and minimum oil stocks. Furthermore, the Ministerial Council adopted the Energy Strategy of the Energy Community, welcoming the interest of the civil society towards the development of this Strategy. The Ministerial Council also appointed a new Director of the Energy Community Secretariat. In reviewing the state of play of the implementation of the Energy Community Treaty on the basis of an annual report prepared by the Energy Community Secretariat, the Ministerial Council welcomed the progress made by the Contracting Parties, in particular on the level of secondary legislation, while expressing concerns with regard to the state of market opening and regional integration and calling for effectively starting the preparations for the implementation of the Third Internal Energy Market Package.

As usual the Ministerial meeting was prepared by a Permanent High Level Group meeting (17 October), which was preceded by the first meeting of the Security of Supply Coordination Group.

(c) EU-China

On 3 May 2012, the EU-China energy cooperation was extended with the signature of three Joint Declarations, on (1) Electricity Markets, (2) Energy Security and (3) Urbanisation.

On the Chinese side, the political support to this cooperation was illustrated by the personal commitment of Vice Premier Li Keqiang, the to-be-appointed Prime Minister.

Since then, the implementation of the three above Declarations has kick-started:

- terms of reference for the setting up of the Energy Security Working Group defined in the Joint declaration are being finalized with the National Energy Administration (NEA) [*Energy Security*];
- activities to assist the Chinese electricity regulator are being organized on a broad range of topics such as energy market reforms, integration of renewable to the grids and demand-side management [*Electricity Markets*];
- the first EU-China Mayors Forum was held successfully on 19-20 September, followed by the 1st Meeting of the Governing Board of the Urbanisation Partnership [*Urbanisation*].

The progress in these areas has received strong political backing at the last EU-China Summit (20 September, Brussels) and is now perceived as part of the positive agenda of the bilateral relationship by both sides.

(d) Southern Corridor

The Commission remains neutral about all proposed pipeline constructions within the EU (pending the outcome of the Projects of Common interest (PCI) process in the context of the Proposal for a Regulation on guidelines for trans-European energy infrastructure) and underlines that all options will have to comply with EU law. Progress on TAP, Nabucco, and Nabucco West is going forward, with practical inter-party agreements already signed for TAP.

Reverse flow options within existing pipelines are also being opened up, and the Commission anticipates progress and concrete legal frameworks for the creation of ‘reverse flow corridors’ from Greece to the North and from Croatia to the East. There is also renewed interest in the Bulgaria – Serbia interconnector, which is essential for creating a Central South East Europe- Central Europe Corridor, and the Commission is encouraged by a recent Serbian submission on the legal framework for the realisation of this.

The Commission considers that a dedicated gas pipeline from Azerbaijan to the EU and across Turkey is needed. Such a pipeline needs to be scalable to allow the transport of more gas volumes from the Caspian region when they become available.

This pipeline needs to be covered by an international agreement that involves the EU in some way so as to guarantee the supply to the consumers in the EU. The Commission underlines the importance of having rights and obligations guaranteed, to avoid interruptions of gas flows such as those that have happened in the past at Greece's expense. Demand in Turkey can affect transit flows, and EU consumers may suffer. Equally, Turkey must remain legally entitled to receive its gas through the transit pipelines on EU territory to it.

The Commission understands that the new project that Turkey and Azerbaijan have worked on as a priority, the Trans- Anatolian pipeline (TANAP), is progressing well. Defining precisely TANAP's legal rights, as well as the feasibility study that still needs to be done, may lead to the acceleration of the Southern Gas Corridor. The Commission is taking a renewed interest in the AGRI project after commercial representations and will report on this project in the future.

Following the Council negotiating directives addressed to the Commission in September 2011 to negotiate an Agreement between Azerbaijan, Turkmenistan and the EU on the legal framework for a Trans-Caspian (natural gas) pipeline system several rounds of negotiations have taken place. After each round the Commission has reported to the Council Energy Working Party on the issues under negotiation. Progress is steady but slow; the expectations of negotiating partners must match the legal capabilities of the European Union. The Commission remains convinced that a comprehensive legal arrangement covering all transit and market access issues would be in the long-term interests of the EU, Turkey and supplier countries.

The topic of the Southern Corridor in general is also evoked regularly under the EU-US Energy Dialogue.

(e) South Stream

South Stream is not a priority of the European Union, but the Commission is willing to coordinate the position of Member States concerned, even in the planning phase so as to allow a proper consideration of all aspects of the pipeline. To that end, a meeting with the responsible EU Ministers was held on 29 October 2012, during which the Member States concerned confirmed that the Commission should facilitate relevant coordination, and Commissioner Oettinger discussed the project with his counterpart in Moscow on 9 November 2012. Within the EU, no material actions have been taken, but it is reported that work will begin soon within Russia.

The Commission reminds all participants that the full legal procedures, especially with regard to environmental legislation, should be completed before any work is done, as the project is considered an integrated supply project, and the EU as a whole has an obligation to consider the effects of the project upon its neighbours. These include environmental, legal and regulatory issues. Once the pipeline project has completed all necessary administrative and regulatory tests, such as an environmental impact assessment, it should be able to proceed to construction with its current backers.

(f) EU-US

The EU-US Energy Council will meet at Ministerial level in Brussels on 5 December 2012. The agenda is still under development, and the activities of the three Working Groups (energy security, energy technologies research and energy policy and deployment) will be reviewed at that meeting. Furthermore, Council adopted the Council Decision on the signing and conclusion of the Energy Star Agreement on energy-efficiency labelling programmes for office equipment between the United States and the EU on 13 November. This Agreement will be signed by both parties at the occasion of the meeting of the EU-US Energy Council.

In this context it is underlined that the European Parliament is expected to vote in plenary in December on a compromise text for a Regulation on a European Union energy-efficiency labelling programme amending the existing one with the purpose of adapting the implementation of the Energy Star programme within the EU to the new Agreement. It is hoped that this will allow Council to confirm a first-reading agreement with the EP on this file with a view to the swift and smooth implementation of the new Agreement in the EU.

(g) EU-Russia

In order to foster EU-Russia energy relations, and take stock of the ongoing work of the various Thematic Groups meeting under the EU-Russia Energy Dialogue, the seventh meeting of the EU-Russia Permanent Partnership Council on Energy will take place in Nicosia, Cyprus, on 12 December on the basis of an annotated agenda. The PPC will address the supply of energy goods, market aspects, nuclear matters, the EU-Russia energy roadmap 2050 and the legal basis for the EU-Russia energy cooperation.

(h) Strategic Group for International Energy Cooperation

In order to discuss and assess opportunities and challenges in the relations of the EU vis-à-vis the southern Mediterranean, the third meeting of the Strategic Group on International Energy cooperation of 29 October 2012 focused on energy cooperation in the southern Mediterranean region. The energy situation in the Southern Mediterranean countries is still problematic, with significant electricity supply problems. Most countries are focused on internal issues and show little commitment to regional cooperation. However, cooperation must be further enhanced as it is the only manner to achieve the necessary investments in generation capacity (including renewable energy) and networks.

This meeting of the Strategic Group was very successful and allowed a thorough and fruitful discussion with senior representatives from Member States' administration on the basis of an issues paper prepared by Commission's services. This meeting was a timely event, in light of the Ministerial meeting between the EU and countries in the Southeastern Mediterranean region in the context of energy cooperation that is organised by the Presidency on 12-13 December in Paphos, Cyprus.

Preparations are also ongoing in view of an Energy Ministerial meeting due to take place in one year's time, in December 2013, back-to-back with the Energy Council in Brussels. This would be the occasion to renew the principles of our cooperation and perhaps define a roadmap towards a possible Mediterranean energy community by 2020.

(i) Intergovernmental energy agreements

After the European Parliament and the Council reached a first reading agreement on Decision No 994/2012/EU establishing an information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy ¹, this Decision was signed by both institutions on 25 October, and published in the Official Journal on 27 October. One of the main provisions is that Member States are obliged to submit to the Commission all existing intergovernmental agreements in the field of energy, including annexes and amendments to those agreements, by 17 February 2013 (*cf.* Article 3(1)). The proposal of the Commission formed its response to the European Council invitation (of 4 February 2011) to make available information on all new and existing bilateral energy agreements with third countries to all other Member States in an appropriate form.

¹ OJ L 299, 27.10.2012, p. 13