



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: Permanent Representatives Committee
to: Council

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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
= Adoption of Council conclusions

1. On 6 June 2012, the Commission presented the above Communication, together with an accompanying Staff Working Document and an Impact Assessment. The Communication explains how renewable energy is being integrated into the single market, and aims to give some guidance on the current framework until 2020 and to outline possible policy options for beyond 2020, in order to ensure continuity and stability and thus to enable Europe's renewable energy production to continue to grow to 2030 and beyond.
2. At the informal meeting of Energy Ministers held on 17 September, Ministers had an opportunity to discuss the main areas of effort identified by the Commission which, bearing in mind specific national circumstances, were generally regarded as being appropriate ones: internal electricity market opening, better market integration of RES and cost-efficient support schemes, cooperation and trade, as well as infrastructure and consumers, and technology innovation and sustainability.

3. The Presidency proposed draft Council conclusions on renewable energy which were examined by the Working Party on Energy at its meetings on 25 September, 9 and 23 October, and 6 November 2012. At the meeting of the Working Party on Energy on 6 November, agreement was reached on the latest Presidency overall compromise text as a whole which resulted from the discussions.

The Permanent Representatives Committee, at its meeting on 21 November 2012, confirmed the agreement on the text as set out in the Annex to this note.

4. The Council (TTE - Energy) is invited to adopt the conclusions at its meeting on 3 December 2012.

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 (RES) 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 that a longer-term perspective would have a positive influence on investments, given the long planning process and investment horizon for renewable energy sources, while ensuring economic and environmental sustainability;

EMPHASISING the contribution of renewable energy sources to the EU energy policy goals and TAKING NOTE of the Commission's Energy Roadmap 2050 forecasting that any of the scenarios for Europe's energy supply analysed would require 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;

RECOGNISING both the challenges and opportunities of the integration of renewables into the electricity market;

UNDERLINING furthermore that for the integration of renewables into the supply system, due consideration has to be given i.a. to adequate development of transmission infrastructure, taking into account the variable nature of the energy production of some renewables and the distances between production and consumption locations;

TAKING INTO ACCOUNT different RES development potentials of individual Member States and the necessity to ensure that the prices for consumers remain at an affordable level;

WELCOMING the presentation by the Commission of its Communication "Renewable Energy: a major player in the European energy market" which provides useful perspectives for initiating the reflection on a consistent post-2020 framework to maintain a robust growth of renewable energy;

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, the removal of deficits in market liberalisation, and an adequate development of interconnections and an elimination of bottlenecks are required;
- Further consideration should be given to how to ensure that market arrangements are consistent with single market rules and the integration of RES and are developed and improved to contribute to the affordability of RES;
- While strengthening the electricity market as a competitive market and maintaining secure system operation, market arrangements should facilitate the integration of an increasing number of renewables power producers, and encourage flexibility so that all market actors can participate effectively in balancing markets;
- The first response to potential energy market distortions, causing inadequate incentives for new investments, is for Member States, in close cooperation with the Commission where appropriate, to assess these energy market distortions and their effects and to improve market rules and functioning, avoiding premature action;

2. Better market integration of RES:

- The more open, transparent, interconnected and integrated 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. National support schemes must be able to accommodate changes in the respective markets and must be adapted accordingly if necessary, in order to pass on cost-efficiency gains to final consumers and to control the cost of support schemes;
- Carbon markets have a role to play to give investors incentives to invest in safe and sustainable low-carbon technologies;
- While recognising the need to appropriately incentivise renewables to deliver 2020 targets, national support schemes need to be continuously improved through simpler administrative regimes, reliability, and easier access to capital. Bearing in mind national specificities, support should gradually be phased out for new projects when a Member State establishes that the economic viability and competitiveness in the market of certain types of renewable energy have been achieved in that Member State, in order to allow for gradual integration into the market and to encourage technology competitiveness;
- Well-targeted and cost-efficient and effective post-2020 support may be needed which does not cause inefficiencies in cross-border trade of electricity, avoids over-compensation, promotes research and development and innovation and creates greater convergence ensuring better comparability among Member States' support schemes, depending *i.a.* on the maturity and viability of technologies;
- Non-binding guidance from the Commission on support schemes reform 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, towards facilitating better market integration, for strengthening transparency and predictability and for stimulating innovation, to make support schemes more responsive to market signals and lower their costs, and to support renewables penetration levels and technology maturity, bearing in mind the need for diversified technology solutions;

- There is also a need for the rationalization and the phasing out of environmentally or economically harmful subsidies, including for fossil fuels;
- Where market imperfections are identified and/or producers face limited access to market-based financing, access to more affordable investment capital for RES development should be facilitated. This could include capital through the European Investment Bank, the Structural Funds, mechanisms available under climate policy, long-term liability institutions, institutional investors and innovative financial instruments. It is noted that appropriate financing arrangements will be all the more important, particularly for small renewable producers and regions which suffer from severe and permanent natural or demographic handicaps, 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 better information and reducing 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. This will require an evaluation of the interconnections reinforcement where needed within the EU while maintaining the secure and efficient operation of Member States' electricity systems, and of the related costs to transit countries;
- To further develop international cooperation at bilateral and multilateral level, such as through energy cooperation in the Mediterranean and the Black Sea, it should build on existing positive examples, such as in the Northern Seas countries offshore grid initiative, the Irish Seas grid initiative or as the Mediterranean Solar Plan;

- 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. In this context, the potential of cooperation in the RES sector with Contracting Parties to the Energy Community should be exploited;
- 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:

- The energy infrastructure package will provide more effective permit granting procedures and cost sharing rules and will be 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 and effective 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 and adapted 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 the implementation of the relevant provisions of the Renewable Energy Directive, and taking into account specific national circumstances, on how to further improve and simplify planning and permitting processes to address permitting issues specific to renewables which constitute barriers to the development of RES, e.g. larger number of permits compared to other energy sources of an equivalent scale;

- Consumers need to be made more aware of the economic, social, environmental and technological aspects resulting from a greater use of cost-efficient RES, including the need for 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. As regards the most vulnerable customers, Member States may wish to use appropriate social policy instruments;
- 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 and complete information on all fuel mix consumption within each Member State;

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 and emerging generations of key renewable energy technologies such as Marine energy and address the challenges of balancing, intelligent solutions, demand-side measures, new IT technologies, electricity storage etc.;
- Based on the architecture of the SET-Plan, 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 system 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;²

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

² Directive 2003/87/EC on the EU Emissions Trading Scheme stipulates that the emission factor for biomass shall be zero.

- Therefore, further consideration needs to be given to the economic, environmental and social aspects of production and use of RES; in this context, the Commission's recent proposal on indirect land use change related to biofuels and bioliquids should be given early and full attention;
- In particular the expected rise in the use of biomass in the coming years heightens the need to consider the sustainability dimensions of the use of sensitive biomass resources;

6. Next steps:

- The Commission is invited to present non-binding guidance on the further improvement of national support schemes in order to achieve further cost reduction and market integration, as well as separate guidance on the implementation of the cooperation mechanisms provided for in the Renewable Energy Directive;
- 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 to present in appropriate time and after thorough analysis, discussion and the review by 2014 of certain aspects of the current Renewable Energy Directive as foreseen therein, a solid and effective EU post-2020 RES framework embedded in the broader context of and contributing to the long-term overall EU policy framework. The RES post-2020 framework should take into account, 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, established within the broader climate-energy context, should also be supportive of security of supply, innovation and competitiveness and thus contribute to promoting long-term EU objectives for an energy and resource efficient, safe and sustainable low-carbon European economy. Therefore, this framework should also be developed bearing in mind that substantially higher shares of RES, increased energy efficiency and infrastructure reinforcement will have a key influence in all circumstances, while considering also different national situations, on the achievement of these objectives.
