



**COUNCIL OF
THE EUROPEAN UNION**

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6524/14

**ENER 60
COMPET 113
CONSOM 55
FISC 29**

NOTE

from: Permanent Representatives Committee
to: Council

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Subject: Communication from the Commission on "Energy prices and costs in Europe"
- Policy debate

1. On 22 January 2014, the Commission presented the above Communication, together with accompanying Staff Working Documents. This Communication was prepared in response to a request of the European Council and provides an in-depth analysis of energy prices and costs in Europe to help policy makers to understand the background context, the impact of recent price rises on consumers and the political implications. The Communication focuses on electricity and gas prices and costs, including their impact on citizens access to stable and affordable energy prices and on Europe's industrial competitiveness.

2. The TTE (Energy) Council is invited to hold a debate on the Communication, on the basis of the questions set out under point 6.¹ The discussion will contribute to the preparation of the European Council to be held on 21-22 March 2014. To this end, the Presidency will send a summary letter to the President of the European Council outlining the results of this discussion. The discussion will also feed into draft Council conclusions to be presented for adoption at the TTE (Energy) Council on 13 June 2014.

3. According to the above Communication, the consumer price for electricity and gas is composed of the following three elements; energy price (wholesale and retail price), network costs (transmission and distribution costs) and taxes/levies (general and targeted). These elements are influenced by both market forces and government policy. In the Communication it is pointed out that prices, and especially costs, have continued to rise overall for both households and industry despite falling or stable consumption. This rise in prices is driven mainly by increases in network costs and taxes/levies and wide differences between Member States' policies on these costs and levies were identified. Furthermore, while considering that there has been a convergence and fall in wholesale electricity prices, this has not been transposed into a reduction of the retail prices.

4. Another trend in energy prices highlighted by the Communication is that both for electricity and gas prices, the differential with most of the external competitors is increasing. The EU has until now retained the lead in exports of energy intensive goods. But European industry's efforts to compensate for higher energy costs through constant energy efficiency improvements may need to go even further as competitors also increase their efficiency and as European industry decides to invest abroad to be closer to expanding markets. Moreover, factors such as developing EU policies of diversifying energy supplies and supply routes, negotiating with major energy partners with one European voice and promoting energy efficiency internationally would help to strengthen the EU's influence on fuel prices globally. In addition, increasing renewable energy production and energy efficiency would help to reduce the fossil fuel import bill.

¹ Note: as customary, Member States are invited to submit written replies to these questions, preferably *before* the Council policy debate. This will allow Member State representatives to focus on key issues during the debate.

5. Based on the above, the Commission has proposed the following main actions:
- completion of the internal energy market by 2014;
 - further development of energy infrastructure;
 - ensure consumers' choice of most advantageous energy supplier;
 - diversifying energy supplies and supply routes;
 - energy policies financed by levies and taxes should be applied cost effectively;
 - benchmark network costs and practices to ensure European convergence;
 - households and industry in Europe can improve their energy efficiency and adopt demand response and other novel energy technologies and innovations;
 - protect vulnerable consumers through social policy measures rather than through energy pricing;
 - EU should continue its efforts to ensure the industry a level playing field for energy prices.
6. On the basis of the above-mentioned, the Presidency suggests the following questions in order to structure the debate at the TTE (Energy) Council on 4 March:
1. *As indicated in the Commission Communication, the fall in wholesale prices has not been transposed into a reduction of retail prices which may imply that price competition in the retail markets is weakened. If so, how can wholesale and retail prices be more aligned, thus contributing to a more efficient energy market ?*
 2. *According to the Commission Communication, the variation in the different elements of prices as well as in the energy intensity of both households and industry is very high across Member States and has widened over time. Taking due account of national circumstances, do you agree that convergence in this respect across Europe would be beneficial ? What would the necessary measures be for Member States and the EU to achieve this convergence ?*

3. *In its Communication the Commission proposes a number of actions so that Europe's citizens and industry can deal effectively with the energy cost challenge and the EU can maintain its competitiveness. Would you agree with these measures proposed by the Commission? How would you prioritize these measures? Are there any other measures to be considered in this regard ?*

These questions are without prejudice to other important topics that Ministers might wish to address in the context of considerations on energy prices and costs in Europe. In order to keep the exchange of views as focused as possible, delegations at the Council will be invited to concentrate their interventions on their key messages and provide additional elements in writing.
