



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 20 February 2014

6590/14

ENER	65
COMPET	116
CONSOM	56
FISC	30

NOTE

from:	General Secretariat of the Council
to:	Delegations

No. Cion prop.:	5599/14 ENER 23 COMPET 37 CONSOM 19 FISC 7 + REV 1 (en) + ADD 1-6
-----------------	---

Subject:	Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions
	- Energy prices and costs in Europe
	= <i>Draft Council conclusions: preparatory steps and tentative timetable</i>

I. Introduction

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.

With a view to the preparation of draft Council conclusions for the June TTE Council, the Presidency suggests a series of possible topics, based on the Commission's Communication as well as the Vulnerable Consumers Working Group Guidance Document on Vulnerable Consumers (London Forum). This tentative list of topics does not prejudice the issues which will ultimately be retained for draft conclusions, nor the direction of any such elements. Therefore, before circulating a first set of draft Council conclusions, delegations' comments are sought, **by 10 March**, on the topics presented under section II.

The timetable in Annex (previously circulated through doc.5627/14) tentatively sets out the main steps in the run up to the June TTE (Energy) Council (note that the EWP planned for the 22 April is changed to be on the **15 April instead**).

II. Energy prices, vulnerable consumers and competitiveness: possible topics for Council conclusions

1. Introduction:

- conclusions adopted by the European Council on 22 May 2013, especially with regard to paragraph 8, section I (Energy), noting that the impact of high energy prices and costs must be addressed.
- Vulnerable consumers Working Group guidance document on Vulnerable consumers, November 2013.
- Communication from the Commission on the Annual Growth Survey 2014 (doc. 15803/13).
- Communication from the Commission on Energy prices and costs in Europe (doc.5599/14).

2. General:

- lack of or inadequate **energy infrastructure** and existing **cross-border tariffs** prevent an efficient access to and use of, the assets and resources available on the internal energy market and prevent energy from flowing freely from third countries.
- creating adequate incentives for long-term **investments** in new and intelligent energy infrastructure, including to ensure **generation adequacy**, as well as seeking the full implementation of the **Projects of Common Interest**.
- **diversifying Europe's energy supplies and supply routes** and developing indigenous energy resources, including safe and sustainable low-carbon energy sources, to increase competition on supply markets.

- effective and consistent implementation of the **third energy package** and timely adoption and implementation of electricity and gas **network codes** without causing undue costs will contribute to a more efficient functioning of the energy market.
- ensuring that the promotion, where necessary for non-mature sources of energy, of **energy efficiency, renewable energy and other safe and sustainable low-carbon energy sources** is done in a cost-effective way.
- supporting continuing efforts on energy-related **Research & Development & Innovation** in safe and sustainable **low-carbon technologies and power generation**.
- enhancing **cross-border cooperation**, both within EU and with third countries, as being necessary to create a level-playing field on the energy market.
- given that the differential for both electricity and gas prices with most of the external competitors is increasing, a **stronger coherence in the EU's energy relations with third countries** should be sought while respecting the competences of the EU and Member States in this field.

3. Energy prices, costs and competitiveness:

- considering that **consumer price** for electricity and gas is composed of three elements (energy price, network costs and taxes/levies) which are influenced by both market forces and government policy and that prices and costs have continued to rise overall for both households and industry despite falling or stable consumption.
- noting that against stable and converging wholesale prices, the rise in consumer prices is driven mainly by **increases in network costs and taxes/levies** and that wide differences between Member States' policies on these costs and levies have been identified, fragmenting the internal market. Benchmarking of network costs, in particular at distribution level, would therefore be beneficial. Ensuring cost effective energy and climate policies can alleviate price rises when such policies are financed through consumer prices.
- promoting **competition** on supply markets, especially gas.
- phasing out of **regulated energy prices** to facilitate the proper functioning of the energy market while taking due account of national circumstances in energy pricing.
- continuing efforts at EU level to ensure the industry a level playing field for energy prices while reconsidering the rules for **state intervention** and taking into account the guidelines issued by the Commission.

- considering, however not in isolation, the **Real Unit Energy Costs** as useful indicators to assess energy cost competitiveness.
- noting the importance of providing **consistent, timely and harmonised data** to ensure accurate and complete comparison between Member States in the energy policy field and to assess the competitiveness of industries, including detailed data on retail prices of electricity and gas, of network costs and of share of energy in production cost structure.

4. Consumers:

- stepping up of the role, rights and awareness of **consumers**, including issues such as access to transparent information and counselling, use of smart grids and smart meters and choice of most advantageous energy supplier.
- while referring to Member States' social, energy and consumer policy mix to combat energy poverty and to assist **consumers in vulnerable situations**, considering the following measures:
 - accurate identification of vulnerable consumers through effective data sharing between Member States authorities;
 - targeting the policy measures at those who truly need support in preference to general policy measures;
 - the use of social policy measures in preference to energy pricing;
 - rules on prohibiting disconnection of energy supply at critical times;
 - the promotion of energy efficiency as a key element of the policy mix to protect, in the long-term, vulnerable consumers;
 - clarification and strengthening the role of key stakeholders (Member States' authorities, industry etc.) to improve the situation for vulnerable consumers.

5. Review

- impact of the above measures on the evolution of energy prices and costs and on the situation of vulnerable consumers to be reviewed by the end of 2016

TIMETABLE**draft Council Conclusions on Energy prices, Vulnerable consumers and Competitiveness**

14 January	– Vulnerable consumers / exchange of views
22 January	– Communication on Energy Prices and Competitiveness – circulation of Timetable
28 January	EWP: presentation of Communication and preliminary comments/questions on the Communication
12 February	deadline for written comments on the Communication
+/-20 February	circulation of conclusions outline
25 February	EWP: presentation of conclusions outline / preliminary reactions
4 March	TTE (Energy) Council - policy debate on Energy prices and competitiveness
10 March	deadline for written comments on outline
20-21 March	European Council
+/-24 March	circulation of 1st draft conclusions
1 April	EWP: examination of 1st draft conclusions
7 April	deadline for written comments on 1st draft conclusions
+/-11 April	circulation of 2nd draft conclusions
<u>15 April</u>	EWP: examination of 2nd draft conclusions
5 May	deadline for written comments on 2nd draft conclusions
+/-12 May	circulation of 3rd draft conclusions
20 May	EWP: examination of 3rd draft conclusions
21 May	deadline for written comments on 3rd draft conclusions
+/-23 May	circulation of 4th draft conclusions
27 May	EWP: finalisation of draft conclusions
4 June	Coreper
13 June	TTE (Energy) Council