



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from: General Secretariat of the Council
to: Delegations

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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
- Energy prices and costs in Europe
= *Draft Council conclusions*

Delegations will find in Annex I a further revised version of the above conclusions based on the examination by the Energy Working Party (EWP) on 15 April and the subsequent written comments received. Changes with regard to the previous text are highlighted in **bold** and deletions are marked with ~~strikethrough~~.

Delegations should note that the next meeting of the EWP on 20 May is the second last meeting planned before the above draft conclusions will be submitted to COREPER for its examination. Following the discussions at the previous meetings of the EWP and the written contributions provided by delegations, the Presidency has carefully considered all contributions received and made a strong effort to strike a proper balance in the text annexed while accommodating the concerns raised by delegations. Accordingly, delegations are invited to review whether the text in Annex I would be acceptable to them although the suggested wording does not exactly correspond to, or include all, the comments submitted.

All delegations have a general scrutiny reservation on the text.

**Draft Council conclusions on energy prices,
costs, competitiveness and consumers**

The Council of the European Union:

RECALLING:

- conclusions on "strengthening the external dimension of the EU energy policy", adopted by the TTE (Energy) Council on 24 November 2011, and the subsequent Council report on "the follow up to the European Council on 22 May 2013; review of developments on the external dimension of the EU energy policy", adopted by the TTE (Energy) Council on 12 December 2013,
- 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,
- conclusions on the Commission communication "making the internal market work", adopted by the TTE (Energy) Council on 7 June 2013,
- **as a source of information**, the guidance document by the Vulnerable consumers Working Group on Vulnerable consumers of November 2013,
- Council report on the "progress of the completion of the internal energy market", adopted by the TTE (Energy) Council on 12 December 2013,
- conclusions adopted by the European Council on 20/21 March 2014, especially with regard to paragraphs 14 to 23.

CONSIDERING that high and rising energy costs are a concern for European governments, citizens and industry given their potential impact on Europe's global competitiveness and on the standard of living of individual consumers.

WELCOMING the Commission Communication, of 22 January 2014, on Energy prices and costs in Europe which, in response to a request by the European Council in May 2013, provides an in-depth analysis of European energy prices and costs and **ACKNOWLEDGING the conclusion of the Communication** that appropriate measures, ~~as also described in the Communication~~, would need to be taken in order to reduce energy costs and mitigate the impact of rising energy prices.

I. Internal energy market

1. REAFFIRMS the urgent need of completing the internal energy market by 2014 and developing interconnections so as to put an end to any isolation of Member States from European gas and electricity networks by 2015, and to that effect UNDERLINES the importance of strengthened regional cooperation and coordination **and the accelerated implementation of relevant projects of common interest**, and CALLS for the continued implementation of the energy-related guidelines set out in the conclusions adopted by the European Council on 22 May 2013 and on 20/21 March 2014 as well as in the Council conclusions of 7 June 2013.
2. RECOGNISES **the conclusion of the Commission Communication** that, against stable and converging wholesale prices in some parts of the EU since 2008 as well as falling or stable consumption by both households and industry, the continued rise of consumer prices in a number of Member States has been driven mainly by increases in **distribution** network costs and taxes/levies and that wide differences between Member States' policies on costs and levies ~~exist as a legitimate result of~~ **reflect** specific national circumstances and policy choices.
 - 2a. CONSIDERS that benchmarking of network costs and exchanging best practises, in particular at distribution level, may be an instrument to reduce negative consequences for energy prices, whilst taking due account of **national circumstances such as** geographical differences as well as national choices in terms of security of supply **and market integration**.
 - 2b. UNDERLINES the need of a progressive and concerted evolution of support mechanisms for renewables to a more cost-effective and market-based system, **and including** more convergence of national support schemes ~~beyond 2020 and, in this context, NOTES that the guidelines proposed by the Commission on state aid should ensure a sufficient level of flexibility for Member States to support the transition to a low-carbon economy whilst maintaining the competitiveness of European industry.~~
 - 2c. **NOTES, in this context, that the Energy and Environment State Aid Guidelines, as adopted by the Commission, should ensure a sufficient level of flexibility for Member States to support the transition to a safe and sustainable low-carbon economy whilst maintaining the competitiveness of European industry.**

3. UNDERLINES the importance of ~~increasing competition on both~~ **well-functioning** wholesale and retail markets, including the timely adoption and implementation of network codes for gas and electricity as well as the strengthening of the role and awareness of consumers, and CALLS for, in line with the European Council conclusions of March 2014, the effective application and enforcement of EU rules regarding market integration and energy efficiency whilst striving for a level playing field for companies operating within the EU.
4. STRESSES, ~~in order~~ **as one option** to reduce EU dependency on energy imports and its total demand, the necessity for households and industry to reduce their energy consumption by improving energy efficiency and energy saving, including **in the building sector and** through ~~smart metering~~ **market-driven demand response measures**, which will also contribute to reducing energy costs and stimulate growth, productivity and reinforce EU competitiveness and therefore UNDERLINES the need to accelerate efforts in particular as regards the review of the Energy Efficiency Directive in a timely manner ~~and the effective application and enforcement of EU rules regarding market integration and energy efficiency.~~
- 4a. ACKNOWLEDGES, amongst other factors such as industry investment costs, ~~the~~ **that indicators such as Real Unit Energy Costs and energy price data are** as useful ~~indicators~~ to assess the role of energy prices for competitiveness whilst considering the proper application and limits of each indicator.
- 4b. STRESSES, **in order to ensure energy security and reduce energy dependency, the necessity for decisive actions regarding the diversification of sources and suppliers as well as strengthening the gas storage capacities.**
5. While RECALLING the Council conclusions of 7 June 2013 concerning price regulation measures, RECOGNISES the need **for cost-reflectiveness of prices and for long-term sustainability of** ~~to consider the gradual phasing out of regulated energy prices to facilitate the efficient functioning of the internal energy market, whilst taking due account of national circumstances in energy pricing and where well targeted measures to protect vulnerable consumers may be acceptable~~ as part of a coordinated social, energy and consumer policy, ~~as~~ determined by the Member State.

6. NOTES the importance of ensuring that **the provision of** data is consistent, timely and harmonised, including detailed data on retail prices of electricity and gas for different usage levels, on network costs and charges, on taxes and levies, including exemptions, having also regard to purchasing power parity, to ensure accurate and complete comparison between Member States **of energy prices** and to assess the competitiveness of energy prices for industries and ~~for the welfare of societies~~ **other consumers**.

II. External dimension

7. STRESSES the importance of ensuring a level playing field vis-à-vis third country producers to strengthen the competitiveness of the ~~energy sector and the~~ European industry as a whole and to mitigate the increasing price differential with competitors of third countries, **for example through fiscal transfers, exemptions and reductions in taxes and levies, where compatible with state aid and internal energy market rules**, whilst RECOGNISING stronger European industrial competitiveness as an important driver for economic growth and jobs.
- 7a. CALLS for a coherent approach in the EU's energy relations with third countries while respecting the competences of the EU and Member States and therefore STRESSES the need for the ~~EU~~ **Commission and the Member States to examine the potential for measures to strengthen the bargaining power of the EU vis-à-vis external suppliers to negotiate with major energy partners with one European voice**.
8. STRESSES, in response to the European Council in March 2014, the importance of:
- developing measures to prevent potential carbon leakage, **taking into account both direct and indirect carbon costs**, and call for long-term planning security for industrial investment in order to ensure the competitiveness of Europe's energy-intensive industries;
 - reducing the EU dependency on energy imports through ~~enhanced~~ energy efficiency, further diversification of energy supply and supply routes and continued development of renewable and other indigenous energy sources **as well as development of infrastructure within EU and strengthening the gas storage capacities**;
 - promoting domestic resources and competition on gas supply markets and addressing the issue of the contractual linkage of gas and oil prices;

- **taking action to diversify external sources of energy supply, including through the EU and its Member States developing and co-ordinating approaches to potential new external energy suppliers.**

III. Consumers

9. UNDERLINES the importance of strengthening the role, rights and awareness of consumers in line with the Council conclusions of 7 June 2013.

10. RECOGNISES the use of a coordinated and balanced combination of social, energy and consumer policy, as determined by the Member State, to combat energy poverty and to assist consumers in vulnerable situations, and STRESSES the importance of the following measures:

- promotion of energy efficiency as a key element to protect, in the long-term, vulnerable consumers while using appropriate measures such as housing insulation and replacement of inefficient heating systems, ~~especially where government-supported funding is available~~, whilst having due regard to the fact that low-income households may not have financial resources to ~~co~~-finance these measures **entirely**;
- targeting the policy measures at those who truly need support;
- accurate identification of vulnerable consumers, **as defined by the Member State in accordance with national circumstances**, through effective data sharing between the relevant authorities at Member State level (whilst having due regard to national data protection rules), in order to identify a common understanding of factors which may increase the risk of consumers being vulnerable in the energy market;
- rules to discourage disconnection of energy supply **at critical times and cases**;
- improving the accessibility to information to enhance the choice of supplier;
- clarification and strengthening of the role of key stakeholders (Member States' authorities, consumer organisations, potential ombudsmen, regulators, industry etc.) to improve the situation for vulnerable consumers.

IV. Review

11. ACKNOWLEDGES the impact of the above measures on the evolution of energy prices and costs and on the situation of consumers and CALLS for a follow-up review on energy prices and costs and on consumers by 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
15 April	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
26 May	EWP: finalisation of draft conclusions
4 June	Coreper
13 June	TTE (Energy) Council