



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 20 May 2014

**8076/4/14
REV 4**

**ENER 140
COMPET 189
CONSOM 87
FISC 56**

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 REV 1

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*

Following the outcome of today's examination at the Energy Working Party of REV 3 of the above draft Council conclusions, delegations will find in Annex 1 a further revised version (REV 4). Changes with regard to the previous text are highlighted in **bold underlined** and deletions are marked with ~~strikethrough~~.

With the view of preparing the next version of the draft Council conclusions, to be examined at the Energy Working Party on Monday 26 May, delegations are invited to submit additional comments, if any, **by tomorrow Wednesday 21 May**.

All delegations have a general scrutiny reservation on the text.

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

The Council of the European Union:

RECALLING:

- the 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 entitled "Follow up to the European Council of 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,
- the 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,
- the 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 Vulnerable Consumers Working Group Guidance Document on Vulnerable Consumers of November 2013,
- the Council report on "progress on the completion of the Internal Energy Market", adopted by the TTE (Energy) Council on 12 December 2013,
- the 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 would need to be taken in order to reduce energy costs and energy consumption, which will contribute to mitigating the impact of rising energy prices.

I. Internal energy market

1. REAFFIRMS the urgent need to complete the internal energy market by 2014 and develop 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 supporting 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 may reflect specific national circumstances and policy choices.
- 2a. CONSIDERS that benchmarking of network costs and exchanging best practices, in particular at distribution level, may be an instrument for reducing negative consequences for energy prices, while taking due account of national circumstances such as geographical differences as well as and national choices in terms of security of supply and market integration as well as the financing of renewable support schemes.

- 2b. UNDERLINES the need for rapid improvement of interconnections and implementation of EU internal market rules, together with a progressive and concerted evolution of support mechanisms for renewables towards a more market integration and cost-effective and market-based instruments, including more convergence of national support schemes **beyond 2020**.
- 2c. NOTES in this context that the Energy and Environment State Aid Guidelines, as adopted by the Commission, should ensure through their application, a sufficient level of flexibility for Member States to support the transition to a safe and sustainable low-carbon economy while maintaining the competitiveness of European industry **and the security of energy supply**.
3. UNDERLINES the importance of 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, in line with the European Council conclusions of March 2014, for the effective application and enforcement of EU rules regarding market integration and ~~more dynamic and ambitious~~ **further measures on** energy efficiency policies while striving for a level playing field for companies operating within the EU.
4. STRESSES, as one option for reducing EU dependency on energy imports and its total demand, the need for households and industry to reduce their energy consumption by improving energy efficiency and increasing energy saving, including **in the building sector** **and** through market-driven demand response measures, which will also contribute to reducing energy costs, stimulating growth and productivity and reinforcing EU competitiveness; therefore UNDERLINES the need to accelerate efforts in particular as regards reviewing the Energy Efficiency Directive in a timely manner and, if necessary, proposing further measures.
- 4a. ACKNOWLEDGES, amongst other factors such as industry investment costs, that indicators such as Real Unit Energy Costs and energy price data are useful for assessing the role of energy prices for competitiveness while considering the proper application and limits of each indicator.

5. While RECALLING the Council conclusions of 7 June 2013 concerning price regulation measures, RECOGNISES the need for cost-reflectiveness of prices to facilitate the efficient functioning of the internal market and for long-term sustainability of measures to protect vulnerable consumers as part of a coordinated social, energy and consumer policy determined by each 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 and on taxes and levies, including exemptions from charges, taxes and levies, and also having regard to purchasing power parity, to ensure accurate and complete comparison between Member States of energy prices and costs and to assess the competitiveness of energy prices and costs for industries and other consumers.

II. External dimension

7. STRESSES, in order to strengthen the competitiveness of the European industry, the importance of ensuring a level playing field ~~for energy prices~~ and of mitigating energy cost differential with competitors of third countries, while RECOGNISING stronger European industrial competitiveness as well as innovation and increased efficiency as an important driver for economic growth and jobs.
- 7a. ~~While~~ RECALLING the European Council conclusions of March 2014 and the Council conclusions of 24 November 2011 **and** CALLS for a coherent approach in the EU's energy relations with third countries while respecting the competences of the EU and the Member States and therefore STRESSES the need for the Commission and the Member States to examine the potential ~~for~~ measures to strengthen the bargaining power of the EU **and its Member States** vis-à-vis external suppliers.

8. STRESSES, in response to the European Council of March 2014, the importance of:
- developing measures to prevent potential carbon leakage, taking into account both direct and indirect carbon costs, and calling for long-term planning security for industrial investment in order to ensure the competitiveness of Europe's energy-intensive industries;
 - reducing EU dependency on energy imports through energy efficiency, based on cost efficient energy saving measures, further diversification of energy supply and supply routes, including development of the infrastructure to support this diversification, ~~and~~ continued development of renewable and other indigenous energy sources and strengthening of gas **infrastructure, including** storage capacities;
 - promoting domestic resources and competition on gas supply markets and addressing the issue of the contractual linkage of gas and oil prices;

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 each Member State, to combat energy poverty and to assist consumers in vulnerable situations, and STRESSES the importance of the following ~~measures~~ **options**:
- promotion of energy efficiency as a key element to protect, ~~in the long term~~, vulnerable consumers in the long-term while using appropriate measures such as housing insulation and replacement of inefficient heating systems, 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 each Member State in accordance with national circumstances, through effective data sharing between the relevant authorities at Member State level (while 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~~ **prevent disproportionate** disconnection of energy supply at ~~critical times and cases~~;
- improving accessibility to adequate information to enhance the choice of supplier and possibility to switch 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
<u>22 May</u>	circulation of 4th draft conclusions
26 May	EWP: finalisation of draft conclusions
<u>28 May</u>	Coreper
13 June	TTE (Energy) Council