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NOTE

from: General Secretariat of the Council
to: Coreper

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Subject: Preparation of the Council meeting (Transport, Telecommunications, Energy) on
13 June 2014
- Draft Council conclusions on "Energy prices and costs, protection of
vulnerable consumers and competitiveness"
= Adoption

Following the Commission communication of 22 January 2014 on Energy prices and costs in Europe which, in response to a request by the European Council of May 2013, provides an in-depth analysis of European energy prices, costs and competitiveness, delegations will find in Annex a set of draft Council conclusions on the above subject.

The draft conclusions build on the outline of possible elements circulated on 20 February 2014 (doc.6590/14) and the intensive examination by the Working Party on Energy on several occasions. Furthermore, the outcome of the policy debate, held at the TTE(Energy) Council on 4 March 2014, on the Commission communication based on three questions presented by the Presidency (doc.6524/14), was also considered in the examination.

The discussion at the level of the Working Party revealed different views and priorities among Member States on several aspects of the draft conclusions. Given the aim of keeping the draft conclusions as short and concise as possible, the Presidency has made a strong effort to strike a proper balance in the text annexed while accommodating the concerns raised by delegations. Moreover, it should be noted that the aim of the draft conclusions is to focus on energy prices and costs without prejudice to future initiatives to be taken in other areas, in particular, the 2030 policy framework for energy and climate and EU energy security.

Although some delegations might still have a scrutiny reservation on the text, the Presidency believes that the prepared draft Council conclusions, as set out in Annex, constitute a well balanced compromise which, in principle, can be supported by all delegations.

Following the above, the Permanent Representatives Committee is invited to confirm the agreement on these conclusions with a view to their adoption by the TTE(Energy) Council on 13 June 2014.

**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.
 - 1a. NOTES that despite the European Council guidelines for ending the isolation of Member States from European gas and electricity networks by 2015, certain Member States will continue to remain isolated beyond 2015 [and RECOGNISES that in certain Member States the lack of energy interconnections may contribute to higher energy prices]¹.
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 notably by increases in 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 and NOTES that international energy prices, new investments in the power sector, the level of interconnections and the functioning of markets are amongst the factors that affect energy prices.

¹ This issue is already covered at the end of para.2 and could therefore be deleted in this para.1a.

- 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 and national choices in terms of security of supply and market integration as well the financing of renewable support schemes.
- 2b. UNDERLINES the need for rapid improvement of interconnections, having due regard to the more remote and/or less well connected parts of the single market, and implementation of EU internal market rules, together with a progressive evolution of support mechanisms for renewables towards more market integration and cost-effective and market-based instruments, including more convergence of national support schemes beyond 2020 in order to moderate the energy costs borne by energy end-users.
- 2c. NOTES in this context that the Energy and Environment State Aid Guidelines, as adopted by the Commission, should strive to 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 widely accepted 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 further cost-effective measures on energy efficiency in the whole energy chain while striving for a level playing field for companies operating within the EU.

4. STRESSES the need for all relevant sectors to reduce their energy consumption by improving energy efficiency based on cost-effective energy saving measures, 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 by sector 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 and contestability 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 and the disaggregated price data as reported on the base of Directive 2008/92/EC, on network costs and charges and on taxes and levies 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, having due regard to relevant national data protection rules.

II. External dimension

7. STRESSES, in order to strengthen the competitiveness of the European industry, including energy industry, the importance of ensuring a level playing field and of mitigating energy cost differential with competitors of third countries, while RECOGNISING stronger European industrial competitiveness as well as innovation and investments in energy efficiency as an important driver for economic growth and jobs.
- 7a. 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 potential ways 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;
 - strengthening EU energy security through energy efficiency, based on cost-effective energy saving measures, further diversification of energy supply and supply routes, including development of the infrastructure to support this diversification, continued development of renewable and other indigenous energy sources and strengthening of gas infrastructure, including *inter alia* 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 options:
- promotion of energy efficiency and energy savings as a key element to protect vulnerable consumers in the long-term by using appropriate measures such as thermal 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 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 prevent disproportionate disconnection of energy supply, such as rules to discourage disconnection of energy supply at critical times and cases;
 - improving access 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 by the Commission on energy prices and costs and on consumers by 2016.