



Council of the
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15322/14

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NOTE

from: General Secretariat of the Council
to: Delegations

Subject: Partial summary of the meeting of the **Committee on Industry, Research and Energy (ITRE)** of the European Parliament, held in Brussels on 5 November 2014 (items 3 - 5)

A meeting of the ITRE Committee including notably a public hearing on "EU Energy Security Strategy", a briefing by the European Commission on TTIP and a presentation by ACER (Agency for the Cooperation of Energy Regulators) of the 2013 monitoring report on the internal electricity and natural gas markets and of ACER activities.

3. Public hearing on "EU Energy Security Strategy under the conditions of the Internal Energy Market"

The hearing focused on issues relating to the Commission Communication on a European Energy Security Strategy that was adopted on 28 May by the Commission. Mr SAUDARGAS (EPP, LT), rapporteur of a forthcoming own initiative report, stressed the need to develop a long term strategy, and not a "one winter strategy". The following experts gave presentations: Mr SVEDAS, Institute of International Relations and Political Science, Vilnius University; Mr BARTUSKA, special envoy for energy security, Ministry of Foreign Affairs of the Czech Republic; Mr BARDI, Professor in Physical Chemistry, University of Florence; Mr ELLINAS, CEO of E-C Natural Hydrocarbons Company Ltd; Ms FOUQUET, Lawyer at BBH and Director of European Renewable Energies Federation.

Mr SVEDAS stated that Russia was abusing its energy dominance for political goals. He made a strong plea for more EU energy independence and felt that the main challenge to a real European Energy Security Strategy was Member States' political will to implement it, which in his view was currently lacking. Mr TAJANI (EPP, IT) considered that other energy routes and sources - such as shale gas - should be the subject of an in depth analysis. Mr HÖKMARK (EPP, SE) considered that policy development in Germany would lead to more energy dependency. Mr BALČYTIS (S&D, LT) considered that energy independence of the Baltic states was progressing but was still too slow. Mr HENKEL (ECR, DE) wondered about the possibility of an energy union if Member States were still responsible of their own energy mix, referring in particular to various national policies on nuclear energy. Mr PETERSEN (ALDE, DK) and Mr JÁVOR (Greens/EFA, HU) emphasised the need to focus on renewables and energy efficiency. Giving the example of the Nabucco project, Mr SYLIKOTIS (GUE/NGL, CY) wondered whether it would be wise to import gas from politically unstable countries and to totally cut ties with Russia. Mr SVEDAS replied that an Energy Union should respect Member States' energy mix. He believed that the EU should develop interconnections and diversify energy sources and routes, while taking into account climate change policies.

Mr BARTUSKA recalled the impact of the geopolitical and economic context on energy over recent years and the fact that energy was no longer a pure economic tool. He considered that EU market integration was part of the answer. Mr LEWANDOWSKI (EPP, PL) felt that the controversial issue was whether Member States would be ready to develop more coordination - beyond information - as regards new projects and relations with third countries.

Mr TURMES (Greens/EFA, LU) took the view that the recent EC conclusions on mutual information were too weak and that there was a need for better coordination on gas contracts. Ms WERNER (S&D, DE) was disappointed by the EC conclusions, in particular on energy security. Mr MAŇKA (S&D, SK) hinted that Member States should consult each other on key policy decisions, referring to the unilateral decision of Germany on nuclear energy. Mr BÜTIKOFFER (Greens/EFA, DE) defended this decision and questioned the recent EC decision on energy efficiency. Mr JÁVOR (Greens/EFA, HU) criticised Russian investment in some Member States. Several questions on collective buying of energy (Mr BUZEK (EPP, PL), Mr MAŇKA (S&D, SK)). Mr BARTUSKA replied that he was in favour of energy diversity in the EU and was sceptical towards joint purchasing.

Mr BARDI focused his presentation on oil and the causes and effects of decreasing oil prices. His main messages were that the energy return of fossils was declining because of depletion, that high prices were necessary if current production was to be maintained, that high prices would cause demand destruction and recession and that investing in renewables was therefore a crucial priority to address the EU's security challenge. MEPs asked questions on relations between the US and Saudi Arabia (Mr ERIKSSON (Greens/EFA, SE)), the role of OPEC (Mr KELLY (EPP, IE)), shale gas in the US (Mr TURMES (Greens/EFA, LU)), environmental problems linked to oil extraction in the Arctic and methane gas reserves (Mr RANSDORF (GUE/NGL, CZ)). Mr BARDI concluded that renewables could compete with fossil fuels but that the problem was the development of infrastructures which would require huge investments.

Mr ELLINAS considered that the East Mediterranean oil and gas important potential resources and the building of an East Mediterranean corridor could contribute to Europe's energy security, giving information on current and possible future development projects. He explained how the EU could help supporting Cyprus and regional cooperation to this end. Mr SAUDARGAS (EPP, LT) raised the issue of political instability in the region. Mr JÁVOR (Greens/EFA, HU) questioned the need for new investments given the overcapacity in the LNG supply chain. Mr SYLIOKIOTIS (GUE/NGL, CY) asked about EU support to infrastructures in Cyprus. Mr FOX (ECR, UK) found it more justified to use EU limited means on interconnectivity. Mr ELLINAS replied that what was mostly needed was EU political support and that regional cooperation was taking place with all countries with the exception of Turkey.

Ms FOUQUET made a strong plea for the EU Energy Security Strategy to give a push to renewables and energy efficiency, deploring that it was putting too much emphasis on gas and oil. She argued against nuclear energy and considered that renewables could deliver. She also referred to Structural Funds success stories on energy efficiency and made suggestions for improvements. Several MEPs wondered how to make renewables competitive (Mr SAUDARGAS (EPP, LT)), Mr KARIŇŠ (EPP, LT), Ms WERNER (S&D, DE)), with some pointing to the lack of infrastructures for renewables (Mr JÁVOR (Greens/EFA, HU)),

others considering that renewables would only remain a complementary energy source (Mr RANSDORF (GUE/NGL, CZ)). Ms NIEBLER (EPP, DE) wondered how to ensure security of supply without conventional sources. Mr ZORRINHO (S&D, PT) supported a diversity of energy sources. Ms FOUQUET acknowledged that there was still a long way to go to further develop the renewables industry and was very critical of the decisions taken at the recent EC Summit in the energy area.

The rapporteur, Mr SAUDARGAS, concluded the hearing by underlining the need for Member States to demonstrate a sense of solidarity and to share the burden of dependency.

Next step: exchange of views on own initiative report on 3 December.

4. TTIP negotiations (Transatlantic Trade and Investment Partnership): briefing by the European Commission

Mr LANGE (S&D, DE), INTA Chair, introduced the discussion by saying that, despite criticisms, TTIP could offer opportunities for industrial production in certain areas, giving the examples of cars, energy, telecoms (while stressing that data protection was a big issue). He stressed the need to be pragmatic and transparent. In this regard, he was satisfied that the mandate had now been published and hoped that the Commission would intensify dialogue with civil society.

The Commission was represented by two officials from DG Trade, who expressed the Commission's willingness to cooperate with the European Parliament on the matter. COM underlined that Commissioner Malmström was in favour of open markets, high standards of protection, a high level of transparency and wanted to give a fresh start to negotiations. COM added that the Commissioner would meet with the Council, the EP and civil society before her first meeting with US counterparts.

- Following the US mid-term elections, COM felt that trade was one of the potential area of cooperation between the US administration and the Senate, adding that 2015 would be a crucial year for US negotiators before the US Presidential electoral year.
- On investor-to-state dispute settlement (ISDS), COM indicated that the Commission had received 150.000 responses to the public consultation and that the Commissioner would propose an approach to the College and interact with the Council and the EP on this issue.

- State of play: COM informed MEPs that 7 rounds had taken place with a move towards joint texts with divergences in brackets. However, COM mentioned that there was no single text yet on sustainable development and on regulatory cooperation, which should not reduce protection/lower standards. COM emphasised that a lot of work remained to be done on market access and raised the possible development of rules which could be used as a model in future agreements with third countries and possibly in the WTO.
- On energy and raw materials, COM indicated that there was no political decision from the US on a possible chapter in this area and on the related EU proposal. It specified that issues which the EU had proposed to address included notably: market access and non discrimination, granting of licenses for exploration and exploitation, access to transport infrastructure, prices' practices, rules on monopolies, off shore safety standards, renewable energies, security of energy supply. On LNG export, COM said that the US position was to solve the issue after the TTIP conclusion through a US decision granting licenses.

During the discussion, while some MEPs expressed their support to the TTIP, the majority (Mr KARIŇŠ (EPP, LV), Ms NIEBLER (EPP, DE), Mr STANICHEV (S&D, BG), Mr ZORRINHO (S&D, PT), Mr MAŇKA (S&D, SK), Mr HENKEL (ECR, DE), Ms MLINAR (ALDE, AT), Mr TELIČKA (ALDE, CZ)) raised the suspicion and sometimes strong opposition from citizens against the TTIP in some Member states. They called for more transparency, clarity and a pro-active communication strategy by the Commission towards the EP and citizens, which would give MEPs more arguments and evidence to defend it.

Some (MLINAR (ALDE, AT)) asked whether national parliaments would need to ratify the TTIP, with Mr MARIAS (ECR, EL) considering that the role of national parliaments should not be overlooked. Mr MESSERSCHMIDT (ECR, DK) considered that minutes on negotiations were vague, hence the difficulties to grasp what was at stake. He also asked whether US subsidies on cotton had been raised. Mr ECHENIQUE (GUE/NGL, ES) doubted citizens and SMEs would benefit from such agreement. Ms ERNST (GUE/NGL, DE), Ms LOPEZ BERMEJO (GUE/NGL, ES) also very critical.

Concerns were also expressed on ISDS (Mr ZORRINHO, (S&D, PT)) and access to justice (Mr RÜBIG (EPP, AT)), data protection (Mr BONI (EPP, PL)), the impact on SMEs (Mr BORELLI (EFDD, IT)). In relation to ISDS, some UK MEPs were also worried that the agreement would open the UK National Health Service to private US investors (Ms GRIFFIN (S&D, UK), Mr ETHERIDGE (EFDD, UK)). Ms NIEBLER (EPP, DE) wanted to know whether the issue of fracking had been raised.

The Commission representatives replied as follows:

- COM pointed out that the Commission was open to further discussion with the EP and to communication with civil society, while stressing the need for MEPs to also engage with citizens. COM added that it was committed to transparency, indicating that several papers were on the web and referring notably to INTA access to consolidated texts.
- COM stated that the TTIP would make the EU and the US more competitive vis-à-vis other world partners. COM considered that SMEs could benefit from the agreement if rules were made simpler and less onerous, while maintaining the level of protection.
- COM clarified that market access in agriculture was being discussed, which was not the case of agricultural subsidies.
- On the mixity of the agreement, COM answered that the Commission would decide on the basis of the final outcome but that one could expect ratification by national parliaments.
- On the issue of the UK National Health Service and ISDS, COM mentioned that Member states would remain free to have public services and make them public again after privatisation.
- On data protection, COM indicated that it had been kept separate for respect for the EP.
- On energy, COM underlined that the EU objective was to remove export restrictions on gas and crude oils which would contribute to energy security. On fracking, it indicated that nothing in the agreement would affect the possibility for Member states to take sovereign decisions as regards the exploitation of national resources.

Mr LANGE concluded by saying that the Commission should do much more on communication and transparency and that ISDS should be addressed critically. He added that INTA would prepare a Resolution taking stock of the situation. Mr BUZEK (EPP, PL), ITRE Chair, mentioned that the Commission would be invited in the EP in January just after the next round of negotiations.

5. ACER - Market Monitoring Report and other ongoing activities, presentation by Mr Pototschnig, Director and Lord Mogg, Chairman of the Board of Regulators of ACER (Agency for the Cooperation of Energy Regulators)

Mr Pototschnig and Lord Mogg presented the main findings and recommendations from the latest edition of the Market Monitoring report, progress in completing the Internal Energy Market as well as the Agency's 2015 Work Programme. They made a call to MEPs to have more adequate skilled resources for EU-wide monitoring in the context of the implementation of REMIT¹.

Mr KOFOD (S&D, DK) raised the problems of lack of sufficient interconnectors and capacity under-utilisation. Mr PEDERSEN (ALDE, DK) and Mr SYLIOKITIS (GUE/NGL, CY) were in favour of more cross-border cooperation in the sector. Mr TURMES (Greens/EFA, LU) pleaded for tougher regulation to decrease energy prices, making reference to rules in the telecom markets. Mr RANSDORF (GUE/NGL, CZ) raised the question of energy poverty.

ACER representatives concluded that the agency had delivered on its mission despite an expanding remit and limited resources. They again indicated that ACER current major challenge was the REMIT implementation and the need for additional staff to carry out these tasks properly.

Next meeting: 17 November 2014, 15.00 – 18.30 (Brussels)

¹ Regulation 1227/2011 on wholesale energy market integrity and transparency