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NOTE

From: Presidency
To: Delegations

Subject: ***Preparation of the Council meeting (Transport, Telecommunications, Energy) on 9 December 2014***
2030 Climate and Energy Framework - Follow-up to the European Council
- Policy debate

1. Introduction

The October European Council reached an agreement on key elements of a 2030 climate and energy framework (EUCO 169/14) including GHG emissions reduction, renewables and energy efficiency, fully functioning and connected internal energy market and energy security.

It agreed, furthermore, “that a reliable and transparent governance system without any unnecessary administrative burden will be developed to help ensure that the EU meets its energy policy goals, with the necessary flexibility for Member States and fully respecting their freedom to determine their energy mix”.

Following the Commission Communication of January 2014 "A policy framework for climate and energy in the period from 2020 to 2030", Ministers held a debate on the new governance system at an informal meeting in May 2014. Governance was also raised at the June Energy Council (see 10299/14, Annex I). The European Council outlined the main features of this governance system in paragraph 6 of its conclusions ¹.

2. Review of the governance system

The governance system should represent an **iterative process** between Member States and the Commission that helps to ensure that the EU meets its energy policy goals agreed upon at the October European Council via a combination of national and EU measures.

The system should consist of **two major pillars**: First, the planning of energy and climate policies from 2020 to 2030 with the goal of meeting the agreed targets of the 2030 Framework while preserving Member States' flexibility. Second, the monitoring of progress made in the main energy and climate policy areas by means of efficient reporting mechanisms and key energy indicators.

¹ According to the European Council Conclusions (EUCO 169/14):

“This governance system will:

- 6.1 build on the existing building blocks, such as national climate programmes, national plans for renewable energy and energy efficiency. Separate planning and reporting strands will be streamlined and brought together;*
- 6.2 step up the role and rights of consumers, transparency and predictability for investors, inter alia by systematic monitoring of key indicators for an affordable, safe, competitive, secure and sustainable energy system;*
- 6.3 facilitate coordination of national energy policies and foster regional cooperation between Member States”.*

Current EU legislation already obliges Member States to the **planning energy and climate policies**, some of which end in 2020 whereas other continue thereafter:

- Member States provide annually greenhouse gas inventories and submit, every two years, information on national policies and measures as well as projections. National climate policies and measures need to be developed by March 2015, 2017 and 2019.
- Member States submitted National Energy Efficiency Action Plans in 2014 with a time horizon of 2020 to be updated every three years.
- Member States submitted their National Renewable Energy Action Plans in 2010 in relation to the attainment of the 2020 targets.

As regards **monitoring of progress**, these planning processes also involve reviews and reporting mechanisms by the Commission in relation to the achievement of the various climate and energy objectives.

These existing planning mechanisms should remain unchanged until the year 2020. However, in accordance with the European Council conclusions, **separate planning strands should be streamlined** and brought together for the period from 2020 to 2030.

From discussions held among energy Ministers earlier this year, it emerged that Member States' **national plans** should address all three common objectives (competitiveness, security of supply and sustainability) of EU energy policy with a focus on areas with a clear European dimension.

- National plans should set out a **clear approach to achieve domestic objectives** in particular regarding greenhouse gas emissions in the non-ETS sector, renewable energy, energy savings, for the **period from 2020 to 2030**.

- Regarding what the October European Council has identified as key features of the new governance, one could note that: The Council has emphasized that **consumers** play a central role in the internal energy market². Indeed, consumers, by reacting to price signals and exercising their right to choose the best offer on transparent markets and opting for convenient energy saving behaviours, represent a major driving force for efficient energy market functioning as well as for the achievement of the energy system decarbonisation objective.
- The transition to a low-carbon economy needs more **investments**, mainly coming from the private sector. It is therefore essential that a stable and certain legal framework is provided to private investors both at EU and national level. Flexible approach to Member States' implementation of the new framework must strike the balance between the need to ensure investment certainty on the one hand and Member States' legitimate right to adapt to changing circumstances on the other. This will be important also in the context of the iterative process suggested by the Commission for assessing and possibly reviewing national plans.
- The Commission, in its Communication, suggested a number of areas where **key energy indicators** should be defined in order to be included in the monitoring of climate/energy policies. They may focus in particular on: energy price differentials between the EU and major trading partners; diversification of energy imports and the share of indigenous energy sources; deployment of smart grids and interconnections; intra-EU coupling of energy markets; competition and market concentration on energy markets; technological innovation.
- The importance of **regional cooperation** between Member States for fostering market integration and ensuring greater security of energy supplies has been recognized. Regional cooperation can play an important role also in establishing and implementing national plans with the aim of improving cost-efficiency of meeting common climate/energy objectives.

² Council conclusions on the Commission Communication "Making the internal energy market work", June, 7th 2014

In light of the above the Presidency suggests to structure the policy debate with the following questions:

- *Having in mind the aim expressed by **European Council** of stepping up the role of consumers and increase transparency and predictability for investors, are the key energy indicators proposed by the Commission appropriate or would the Energy Ministers suggest further indicators for a more effective and fruitful monitoring activity?*
- *Considering the indications provided by the **European Council** with regard to the new governance of the 2030 climate/energy policy framework, to what extent do Energy Ministers consider that the governance system can facilitate the coordination of national policies and foster regional cooperation between Member States?*

As usual, at Council delegations will be invited to focus on their key messages and should therefore provide more detailed written submissions in advance of the Council.