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**NOTE**

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From: General Secretariat of the Council  
To: Delegations

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Subject: Regional cooperation in the energy sector  
- Presidency background note

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In view of the Energy Working Party of 10 March 2015, delegations will find attached a Presidency background note on the above.

## **Regional cooperation in the area of energy – State of play**

*Presidency background note for the discussion during the Energy Working Party*

The heads of states and governments in October 2014 recognised that regional cooperation is of key importance for reaching the EU energy policy objectives in short-, mid- and long term. Therefore, the experience of the Member States and lessons learned so far can be useful for the discussion on the role of the regional approach for strengthening energy policy as well as implementation of the dimensions of the Energy Union.

Looking at the EU regional cooperation map, it is obvious that due to differences between regions cooperation formats are diverse. Therefore the Presidency would like to intensify the discussions among delegations on the best practices, bottlenecks and on the potential of the regional cooperation and has prepared this background note which summarizes the state of play and sets the questions for the discussion. Based on the first exchange of views in the Energy Working Party in March, this issue will be discussed during the informal energy ministers meeting in Riga in April. That development is concurrent with historical agreement in Madrid between France, Portugal and Spain, as well as speedy progress in modernizing BEMIP platform.

### **1. Legal basis and political momentum**

**Currently there is a profound legal basis for regional cooperation in the area of energy.**

According to the Treaty on the Functioning of the European Union (Title XXI, Art. 194), Union policy on energy shall aim, **in a spirit of solidarity between Member States**, to ensure the functioning of the internal energy market and security of energy supply, and to promote energy efficiency, energy savings as well as to promote development of new and renewable energy sources.

At the same time, the **Member States** have the right to determine conditions for exploiting their energy resources, the choice between different energy sources and the general structure of their energy supply.

Accordingly, the existing EU legislation in areas of EU competence requires and aims at promoting solidarity, coordination, cooperation and joint actions of the national authorities and energy market players at cross-border, regional and trans-regional level:

*Internal market:* the EU directives and related regulations in areas of electricity and gas have institutionalised and do regulate cross-border and regional cooperation, particularly on planning and regulatory aspects (ACER, ENTSO-E, ENTSO-G), cross-border issues related to infrastructure and cross-border trade.

*Energy Security:* Security of Supply Regulation<sup>1</sup> not only requires joint action on infrastructure development (reverse flows), considerations of cross-border impacts of policies of the Member States, information transparency and consultations with neighbouring countries, but also encourages regional level cooperation (N-1 rule, joint Risk Assessments, Preventive Action Plans and Emergency plans).

*Energy Efficiency and Renewable energy:* Energy Efficiency Directive and Renewable Energy Directive do encourage regional cooperation (renewable energy cooperation mechanisms, cooperation on development of regional heat markets, demand-side energy management systems and services). Also State Aid Guidelines for energy and environmental protection for 2014-2020 are of particular importance for public interventions related matters and legal clarity for the investors.

*Energy infrastructure:* TEN-E Regulation requires cooperation of all market players on infrastructure planning based on the 10-year development plans, and the Regional Groups play a key role in the process of the identification of the Projects of Common Interest (PCIs) and implementation of twelve priority corridors.

**In the recent strategic documents several legislative initiatives are foreseen. These initiatives are expected in 2015 – 2016 and will have a particular relevance for further strengthening of cross-border and regional cooperation elements:**

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<sup>1</sup> Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply, OJ L 295, 12.11.2010, p. 1–22

### Energy Security:

- Revision of the Security of Supply Regulation 994/2010;
- Legislative proposal security of supply for electricity.

### Internal Energy market:

- Legislative proposals on a new design of the EU electricity market;
- Review of regulatory framework and proposals, in particular on the functioning of ACER and the ENTSOs.

### Energy Efficiency and Renewable Energy:

- Review and revisions of all relevant energy efficiency legislation to underpin 2030 target;
- Renewable Energy Package.

### In addition:

- The Commission plans to develop guidance on regional cooperation and engage actively in regional cooperation bodies with Member States and stakeholders;
- The Commission plans to launch a dynamic governance process for the European Energy Union, which is expected also to serve the purpose of “deepening the cooperation between the Member States, including at the regional level”.

**The European Council on 24 October 2014, while referring to different energy policy areas, stressed the need to develop regional cooperation. These policy areas include renewables and energy efficiency, energy security and energy policy governance.**

## 2. Existing EU level and regional initiatives

**Currently there are several EU level initiatives that aim to enhance regional cooperation:**

- **3 EU Macro-regional strategies** aiming at coordination of EU policies, funding and actions for implementation of agreed macro-regional priorities and macro-regional Action plans.  
Regions covered so far: Baltic Sea region (2009), Danube region (2010), and Adriatic and Ionian Region (2014). EU Strategy for Alpine region to come (expected for June 2015).
- **European Territorial Cooperation Programmes** aiming at integration of regional aspects in EU Funds financing, including Cross-border, transnational and interregional cooperation.
- **Covenant of Mayors** – cross regional cooperation on energy efficiency and demand-side response exchange of over 6.000 committed local decision makers with a strong political commitment to reduce CO2 emissions by at least 20% until 2020.
- **Smart Cities and Communities** under Horizon 2020 funding for implementation and replication of Lighthouse projects – jointly developed by at least 3 cities and with involvement of 2 – 3 follower cities (in view of future replication).

**In addition there are several regional initiatives that concentrate on different areas of cooperation.**

### **A) Energy security, solidarity and trust:**

- Policy coordination: V4 and V4+, Nordic countries;
- Joint Risk Assessments and Preventive and Emergency Plans – Baltic Countries and Finland, United Kingdom and Ireland;
- Cooperation with EU neighbours – Active engagement of V4 with Energy Community countries, cooperation in the Mediterranean area.

**B) A fully integrated European energy market:**

- Market integration:
  - NordPool and Nordic countries power exchange concept - market coupling to balancing and financial flows, cooperation towards retail market integration;
  - Pentalateral Forum –cooperation on cross-border issues and integration of gas and electricity markets, cooperation towards intraday market and cooperation on demand response, adequacy and balancing;
  - BEMIP – cooperation to achieve integration with the European networks;
  - V4, Danube region countries, Nordic countries – regional energy market studies.
  
- Infrastructure
  - TEN-E Regional Groups, North Seas Countries' Offshore Grid Initiative, BEMIP cooperation on electricity and gas infrastructure,
  - South-East MS cooperation in dedicated regional task forces (Southern Corridor, joint Task Forces on ES/ PT electricity interconnection).

**C) Energy efficiency contributing to moderation of demand**

**D) Decarbonising the economy :**

- North Sea region cooperation on off-shore wind;
- EU–Mediterranean cooperation in area of renewable energy.

**E) Research, Innovation and Competitiveness:**

Transregional cooperation: CELSIUS Project on Sustainable Urban Energy Systems (heating) - Gothenburg, London, Genoa, Cologne, Rotterdam

### **3. Questions for the discussion**

The analysis and recommendations of the Member States on the following questions, based on their interest, would be of particular interest for the Presidency:

- 1. What is your experience in the area of regional cooperation? Which examples of the regional cooperation do you consider as best practices?**
  - 2. What are the main bottlenecks and barriers that hinder successful regional cooperation? What needs to be improved as regards the structure and formats of the regional cooperation initiatives to increase their added value?**
  - 3. In which Energy Union dimensions do you see the highest potential as regards the contribution of regional approach for implementation the common EU objectives?**
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