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From: General Secretariat of the Council
To: Permanent Representatives Committee

Subject: ***Preparation of the Council meeting (Transport, Telecommunications, Energy) on 8 June 2015***
Draft Council conclusions on the implementation of the Energy Union:
empowering consumers and attracting investments in the energy sector
- Adoption

Following the conclusions adopted by the European Council on 19 and 20 March 2015 noting that the EU is committed to build an Energy Union with a forward-looking climate policy, and the Commission Communication of 25 February 2015 titled "A framework strategy for a resilient Energy Union with a forward-looking climate change policy", delegations will find in Annex a set of draft Council conclusions on the above subject.

In line with the above European Council conclusions, which emphasised the importance of all dimensions of the Energy Union, the Presidency retained the overarching nature of the Framework strategy. At the same time, the Presidency proposed to focus the draft conclusions on two topics of horizontal nature, namely consumers and investments, which reflect the main aim of implementation of actions suggested by the Framework Strategy, meaning to give EU consumers - households and businesses - secure, sustainable, competitive and affordable energy. The draft conclusions thus intend to highlight how these two aspects should be taken into account in the implementation of all the five dimensions of the Energy Union.

The draft conclusions build on the outline of possible elements circulated on 20 March 2015 (doc.7343/15) and the intensive examination by the Working Party on Energy on several occasions. Furthermore, the discussion at the Energy Union Conference in Riga on 6 February 2015 as well as the exchange of views by Ministers on the strategic framework proposed by the Commission for an Energy Union, held at the TTE (Energy) Council on 5 March 2015, were also considered in the development and examination of the draft conclusions.

The discussion at the level of the Working Party revealed different views and priorities among Member States on several aspects of the draft conclusions. Accordingly, the Presidency has made a strong effort to strike a proper balance in the text annexed while accommodating the various concerns raised by delegations. Moreover, the Presidency strived to keep the draft conclusions focussed on the announced topics of empowering consumers and attracting investments in the energy and to keep a fair balance of all related issues in the text.

Although the Presidency's suggested text, as set out in Annex, constitutes a well balanced compromise which, in principle, could be broadly accepted by delegations, this text is still subject to delegations' scrutiny reservations. Without prejudice to remaining individual remarks by delegations, it is the Presidency's understanding that the main issues still under examination by some delegations are to find the right balance of the texts in paragraphs A.5 (safe and sustainable low-carbon energy supplies for consumers) and C.3 (the next steps needed for the development of the governance system). Some delegations would also like a stronger reference to regional cooperation, national specificities and national regulations, as well as the need for accelerated infrastructure projects, in particular in the most vulnerable regions of Europe.

Following the above, the Permanent Representatives Committee is invited to solve the remaining outstanding issues and to reach an agreement on these conclusions with a view to their adoption by the TTE (Energy) Council on 8 June 2015.

**Draft Council conclusions on the
implementation of the Energy Union:
empowering consumers and attracting investments in the energy sector**

The Council of the European Union:

RECALLING:

- the conclusions adopted by the European Council on 19 and 20 March 2015, especially with regard to section I (Energy Union), noting that the EU is committed to building an Energy Union with a forward-looking climate policy on the basis of the Commission's framework strategy, whose five dimensions are closely interrelated and mutually reinforcing,
- the conclusions adopted by the European Council on 23 and 24 October 2014, especially with regard to Section I (2030 Climate and Energy Policy Framework) including the agreed nature and scope of targets for 2030 regarding reductions of greenhouse gas emissions, the share of renewable energy, energy efficiency improvements, electricity interconnections, the fundamental importance of a fully functioning and connected internal energy market and the need to reduce the EU's energy dependency and increase its energy security for both electricity and gas,
- the conclusions on the Commission Communication "Progress towards completing the Internal Energy Market", adopted by the TTE (Energy) Council on 9 December 2014,
- the conclusions on the Commission Communication "Energy prices and costs in Europe", adopted by the TTE (Energy) Council on 13 June 2014,
- the Commission Communications of 25 February 2015 titled "A framework strategy for a resilient Energy Union with a forward-looking climate change policy" and "Achieving the 10% electricity interconnection target - making Europe's electricity grid fit for 2020",

- the Commission Communications of 28 May 2014 titled "European Energy Security Strategy", and of 22 January 2014, titled "Energy prices and costs in Europe".

ACKNOWLEDGING that the goal of building an Energy Union with a forward-looking climate policy is to provide **consumers** – household and business – with affordable, safe, competitive, secure and sustainable energy and to reduce the EU's energy dependency and increase its energy security. This goal should be in line with Union's long-term energy and climate objectives and support economic activity and growth.

ACKNOWLEDGING the importance of **investment climate** and **access to financing** in the energy field for implementation of all five dimensions of the Energy Union.

ACKNOWLEDGING the five dimensions of the Energy Union, that are closely interrelated: energy security, solidarity and trust; a fully integrated European energy market; energy efficiency contributing to moderation of demand; decarbonisation of the economy; and research, innovation and competitiveness, and the need to provide a coherent strategy and a balanced approach of the five dimensions.

RECALLING the need, in order to ensure the **implementation** of all five dimensions of the Energy Union, including the agreed 2030 climate and energy policy framework, to develop a reliable and transparent governance system without any unnecessary administrative burden 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 as indicated in the **European Council** conclusions of October 2014 .

ACKNOWLEDGING that the governance system will be developed on the basis of existing building blocks and will streamline and bring together separate planning and reporting strands. It will 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, and will facilitate coordination of national energy policies and foster regional cooperation between Member States. ACKNOWLEDGING the important role of regional cooperation in the implementation of the Energy Union and as an essential part of the governance system.

A. CONSUMER-ORIENTED IMPLEMENTATION OF THE ENERGY UNION

In order to promote consumer-oriented implementation of the five dimensions of the Energy Union, the Council:

1. REAFFIRMS the importance of a flexible and dynamic internal energy market that ensures stable, competitive and affordable energy prices for consumers while RECOGNISING the need for cost-reflectiveness or contestability of prices within the internal energy market with specific measures to ensure long-term visibility and competitiveness, in particular for energy intensive industry exposed to international competition.
2. STRESSES the importance of secure energy supplies for consumers and accordingly REAFFIRMS the significance of efforts to reduce the EU's energy dependency and to increase its **security of energy supply**, and of diversification of energy routes, sources and suppliers, while CONSIDERING the wide spectrum and different costs and benefits of solutions available for increasing energy security and RECOGNISING that the completion of the internal energy market, increased energy efficiency, safeguarding the right to develop and having recourse to indigenous resources as well as to safe and sustainable low carbon technologies are of key importance while respecting the right of Member States to decide on their own energy mix.
3. While STRESSING the importance of establishing a fully functioning and connected **internal energy market** that meets the needs of consumers, REAFFIRMS the need to fully implement and enforce existing EU legislation, including the Third Energy Package; the need to address the lack of energy interconnections, which may contribute to higher energy prices; the need for appropriate market price signals while improving competition in the retail markets; the need to address energy poverty, paying due attention to national specificities, and to assist consumers in vulnerable situations while seeking appropriate combination of social, energy or consumer policy; the need to inform and empower consumers with possibilities to participate actively in the energy market and respond to price signals in order to drive competition, to increase both supply-side and demand-side flexibility in the market, and to enable consumers to control their energy consumption and to participate in cost-effective demand response solutions for example through smart grids and smart metres.

4. While ACKNOWLEDGING the importance and positive aspects of **energy efficiency** in reducing energy costs for consumers, while reducing greenhouse gas emissions and contributing to energy security, STRESSES the importance of engaging all stakeholders in the implementation of different energy efficiency measures and the need to ensure that consumers have access to adequate and transparent information and appropriate incentives to save energy. In this regard, UNDERLINES the need for implementation of existing legislation, as well as its further review and development which would help to achieve the cost-effective potential of energy efficiency, including the Ecodesign and the Energy Labelling Directives. To this end, SUPPORTS initiatives for facilitating access to financing instruments and targeted financing schemes for energy efficiency.
5. REAFFIRMS the importance of safe and sustainable low-carbon energy supplies for consumers. While RECOGNISING the importance of the long-term benefits and costs of **decarbonisation**, utilising safe and sustainable low-carbon technologies and that Member States have the right as part of their energy mix competence, to utilise, if they choose, their preferred spectrum of these technologies in order to meet common EU objectives, as well as securing industrial competitiveness and the contribution to growth and jobs that the transition to the sustainable energy system could bring, ACKNOWLEDGES the need for cost-effective integration of safe and sustainable indigenous resources, notably renewable energy resources, in the market *inter alia* through an improved market design and the promotion of their development by making use of safe and sustainable low-carbon technologies.
6. In this context, bearing in mind the interest of the consumers, STRESSES the importance of developing a forward-looking **research & innovation (R&I)** strategy in the energy sector, in particular to promote further development of, *inter alia*, smart appliances and smart grids, efficient energy systems, energy storage for electricity use and the next generation of renewable energy and other safe and sustainable energy sources including for heating and cooling and transport sectors.

B. INCENTIVISING INVESTMENTS IN THE ENERGY SECTOR

In order to promote the investments required for implementation of all five dimensions of the Energy Union, the Council:

1. REAFFIRMS the need to maintain and improve a predictable market-driven investment climate throughout the whole European Union, based on a stable and transparent European legal framework and on a forward-looking coherent and cost-effective climate and energy policy.

REAFFIRMS the need for a well-functioning carbon market in order to create a predictable long term investment framework.

ACKNOWLEDGES the potential of enhanced regional cooperation, notably in terms of investment savings and possible synergies in the different areas of energy sector investments and the need to evaluate their short- and long-term benefits adequately.

REAFFIRMS that the need for major investments in energy infrastructure, energy efficiency and innovative, safe and sustainable low-carbon generation have to be delivered to the market. To that end, the need for full implementation of existing internal market rules and the existence of appropriate investment signals and access to financing are the key issues that need to be ensured.

In this regard, SUPPORTS the full use of all possible sources of financing including the possibilities for EU financing, in particular those incentivising regional cooperation, in order to facilitate access to financing of projects, especially for Projects of Common Interest (PCI) which are of non-commercial nature, and developments in the energy sector while avoiding distortion and fragmentation.

REAFFIRMS the importance of creating a level playing field between market participants, *inter alia* with the aim of ensuring highest safety and environmental standards.

2. STRESSES the need for further actions to reduce the EU's energy dependence and increase its **energy security** for both electricity and gas. To this end REAFFIRMS the need to accelerate infrastructure projects, including interconnections in particular to peripheral regions as set out in the 19-20 March 2015 European Council conclusions and in line with the 23-24 October 2014 European Council conclusions and REAFFIRMS the need to implement critical PCIs in the gas sector, such as the North-South corridor, the Southern Gas Corridor and the promotion of a new gas hub in Southern Europe as well as the key infrastructure projects enhancing Finland's and the Baltic States' energy security, to ensure diversification of energy suppliers and routes and ensure market functioning.
3. REAFFIRMS that all efforts must be mobilised to achieve the objective of a fully functioning and connected **internal energy market** as a matter of urgency:
 - While REAFFIRMING the need to prevent inadequate interconnections of Member States with the European gas and electricity networks, STRESSES the need to achieve a minimum target of 10% of existing electricity interconnections, as a matter of urgency, and no later than 2020 at least for Member States which have not yet attained a minimum level of integration in the internal energy market, which are the Baltic States, Portugal and Spain, and for Member States which constitute their main point of access to the internal energy market, and REAFFIRMS the need to ensure integration of the Baltic States electricity network into the Continental European Network. REAFFIRMS that special attention needs to be paid to the more remote and/or less well connected parts of the single market such as Malta, Cyprus and Greece.

- RECOGNISES the importance of energy market improvements to continue the process of the development of open and competitive markets, while eliminating existing and avoiding new market distortions, that will incentivise investments, ensure predictability in energy markets and long-term visibility for investors and also ensure market flexibility in energy supply and demand, security of supply, renewable energy and other indigenous energy sources as well as more efficient energy consumption.
RECOGNISES that attention should be paid to the wholesale electricity market, which may not deliver the sufficient price signals to generate the necessary investments and ensure security of supply.
- 4. CALLS for financial and political support with a clear long-term perspective to facilitate and promote private investments in improving **energy efficiency** and energy savings, particularly in the sectors for district heating and cooling, buildings, transport, products and appliances sectors and ENCOURAGES the sharing of best practices on risk and costs allocation in energy service contracts that can unlock investments in the household, SME and public sectors.
- 5. While RETAINING Europe's leading role in renewable energy technology and innovation, STRESSES the importance of ensuring a stable framework in the sector of **renewable energy** in line with EU rules, including the Commission Energy and Environment State Aid Guidelines, in order to facilitate long term investment conditions and to facilitate market integration, while ensuring safe and reliable operation of the electricity networks.
- 6. ENCOURAGES initiatives to stimulate EU **technology and innovation** leadership in energy and climate while promoting growth and jobs, providing adequate instruments to build up investment in research and innovation, bringing new technologies to the market in the EU and expanding export opportunities – including for example the next generation of renewables, energy storage for electricity and carbon capture and storage, improving energy efficiency and safe and sustainable low-carbon technologies for industry and sustainable transport.

C. NEXT STEPS

In order to continue building an Energy Union on the basis of the Commission's framework strategy, the Council:

1. SUPPORTS the five dimensions of the Energy Union Strategy and the actions stipulated in the European Council conclusions of March 2015 and CALLS for their swift implementation.
2. RECALLS that the EU institutions and Member States need to take work forward on building an Energy Union and that the Council should report to the European Council before December 2015.
3. CALLS on the Commission to rapidly present initiatives on the governance of the Energy Union, including guidelines on regional cooperation, to be developed swiftly and examined by the TTE (Energy) Council and reported to the European Council in December 2015 as a first step to develop the governance system in line with the 19-20 March 2015 and 23-24 October 2014 European Council conclusions.
4. CALLS on the Commission to help to ensure greater transparency in the composition of energy costs and prices by means of appropriate monitoring, while avoiding unnecessary administrative burden.
5. CALLS on the Commission to explore the scope of all existing EU financing instruments and energy investment regimes that pool resources to finance economically viable investments, while avoiding market distortion and fragmentation.