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**NOTE**

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from:	General Secretariat of the Council
to:	Delegations
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Subject:	European semester / Annual Growth Survey - Preparation of a contribution on Energy aspects

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With a view to facilitating the above preparation, delegations will find attached a note on the above.

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**European semester / Annual Growth Survey****Preparation of a contribution on Energy aspects**

Like for several other policy areas a contribution on Energy aspects will have to be prepared for the European semester exercise and to review progress and challenges in the implementation of the Europe 2020 strategy for growth and jobs. An overall roadmap for this exercise is set out in doc. 16359/13.

Both the Annual Growth Survey 2014 (15803/13) and the Commission report "A single market for growth and jobs: An analysis of progress made and remaining obstacles in the Member States" (16171/13, notably section 2.4) provide the Commission's perspective and assessment on progress and challenges <sup>1</sup>, in the framework of unchanged medium term priorities, namely:

- Pursuing differentiated, growth-friendly fiscal consolidation
- Restoring lending to the economy
- Promoting growth and competitiveness for today and tomorrow
- Tackling unemployment and the social consequences of the crisis
- Modernising public administration.

Regarding Market performance and obstacles to EU integration on the Energy markets while noting that progress have been made in several respects and that the observations below do not apply to the same extent to all Member States the Commission points out i.a. that:

- More than two years after the deadline for transposing the third energy package there are still delays in its transposition, enforcement and effective application on the ground.
- Considerable investment in energy infrastructure, such as transmission pipelines and electricity networks, storage and LNG projects is still needed so that energy flows freely and be traded across borders in order to strengthen and ensure security of supply.

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<sup>1</sup> some of these observations are also to be found in the Council report "Follow-up to the European Council of 22 May 2013: progress on the completion of the Internal Energy Market", 17755/13. Annex 2 of the AGS provides an overview of how Member States have implemented country-specific recommendations e.g. in Energy

- The generation market is still highly concentrated.
- Consumers rank the electricity and gas markets among the poorly functioning markets, with respect to choice, comparability, switching of suppliers and tariffs.
- While current plans would ensure that the rolling-out of smart metering systems for electricity cover more than 80% of the EU consumers by 2020 the different situation for gas should be further considered
- Retail price regulation is still in place in some Member States
- Sustained effort, including in investment in generation capacity, are needed if Member States are to meet their renewables targets for 2020.
- While capacity remuneration mechanisms are sometimes needed to ensure the continued ability of power generation given the increased share of renewable energy they are potentially distortive and should be a last resort option.

Based on the foregoing, the Commission identify the following priorities for Member States:

- Longer term investment in energy should be protected
- Full implementation of the third energy package in 2014, and improving the cost effectiveness of support schemes for renewable energy. Promoting resource efficiency by improving waste and water management, recycling and energy efficiency.
- Adoption and application of electricity and gas network codes, governing the day-to-day functioning of the market in terms of facilitating trade and operating the networks cross-border.
- Increase interconnection capacity with neighbouring countries. Member States should adopt a greater cross-border perspective in addressing security of supply challenges.
- Empower consumers by ensuring that they have better access to transparent and simple information, are better equipped to participate in open markets, and can make use of the frequent metering data that will be available through the roll-out of smart metering systems.
- Phase out of regulated prices whilst ensuring the protection of vulnerable consumers, through support targeted at the specific needs of vulnerable consumer.
- Rethinking state intervention in line with the best practice identified by the Commission in order to avoid measures which have distortive effects on market functioning or which have an unnecessary and disproportionate impact on energy affordability for households and businesses.

In light of the above and taking into account priorities identified by the December European Council for the 2014 Semester could delegations indicate:

1. *Whether they concur with the above assessment as regard the main obstacles to the achievement of the Europe 2020 energy objectives ? Are there any other issues to be assessed in this respect?*
2. *Which measures in the energy sector have the biggest potential to contribute to growth and competitiveness and should thus be prioritised ?*

Delegations' written contributions will be synthesized and then feed into the overall report on Europe 2020 due to be presented to the General Affairs Council.

Contributions by 13 January would be much appreciated.

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