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INFORMATION NOTE

From: General Secretariat of the Council
To: Council

Subject: Any other business
Recent developments in the field of external energy relations
- Information from the Commission

Delegations will find in Annex an information note from the Commission relating to the item "Recent developments in the field of external energy relations" on the agenda of the TTE (Energy) Council on 11 June 2021. The changes concern points d) and h).

Introduction

EU external energy engagement has continued to closely follow the objectives of the European Green Deal and of the Council Conclusions of 25 January 2021 on energy and climate diplomacy. The climate-energy nexus and the whole economy approach for green growth continue to be the focus in EU external relations. In the context of the COVID-19 crisis, EU external energy actions continue to put the emphasis on the fundamental role the energy sector plays in pursuing a green sustainable recovery on the path to achieving decarbonised, modern and resilient energy systems. The Foreign Affairs Ministers' Council Conclusions of 25 January on energy and climate diplomacy guide the works and respective follow-up is ongoing.

a) UN High Level Dialogue on energy (HLDE)

The HLDE will be the first UN gathering on energy since 1981. It aims at accelerating achievement of Sustainable Development Goal 7 in support of the Decade of Action ahead of the Climate COP26. The UN-Energy together with UN Development Programme and SEforALL will act as co-chairs with UN Department of Economic and Social Affairs as facilitator of the Dialogue. The main outcomes will include a global plan to achieve universal global access by 2030 and net zero emissions by 2050, taking into account the COVID-19 pandemic; and a series of “Energy Compacts” that present multi-stakeholder partnerships and voluntary commitments from Member States and non-state actors.

The preparations and the dialogue are structured around five themes led by Global Champions with participation of Denmark, Finland, Germany, Italy, the Netherlands, Poland, Portugal and Spain as well as the EU. Each of the themes is supported by i) Global Theme Champions; ii) a Technical Working Group (TWG) facilitated by three co-leads; and iii) a Ministerial-level Thematic Forum. EVP Timmermans and Commissioner Simson have agreed to Champion the energy access and the enabling the SDGs through inclusive and just energy transitions themes. At this stage, the EU and its Member States are actively engaged in all themes. Coordination with Member States is ongoing, upon a Team Europe approach, both through UNDEL and with DG ENER coordination.

b) G7

G7 Climate and Environment Ministers met in London on 21 May 2021. This year ministers agreed a consensus G7 ministerial communique which sends a strong message to the world and emphasises the united G7 position on the ambition to achieve net zero by 2050, as well as the agreement to end international finance for unabated coal.

c) IEA net zero initiative

The IEA – Net zero report was launched on 18 May. The reports builds on the encouraging developments with governments setting decarbonisation pledges (covering around 70% of global carbon emissions), providing the tools to assess the rhetoric compared to real life developments, especially as emissions keep growing and there are not enough near-term policies and actions. The IEA sets out a to-do list with near-term actions to be on track for net zero emissions by 2050, focusing notably on i) massive and immediate deployment of readily available technologies, ii) the need for a historical surge in investments into innovation and developing technologies that are not market ready and iii) significant reduction of fossil fuels and completely stopping investments into oil, gas and coal in the longer term.

d) Energy Charter Treaty (ECT)

The process of modernising the Energy Charter Treaty is ongoing. The European Union remains strongly committed to achieving the two key objectives of this process: 1) to align the Treaty with the Paris Agreement; and 2) to bring the investment provisions of the ECT in line with the latest international standards for investment protection and investment dispute settlement.

This year, five negotiation rounds took place so far (including the one on 1-4 June), and three more rounds are planned for 2021 aiming at quick and tangible progress.

The EU proposal for the definition of “economic activity in the energy sector” is central to the success of the negotiations and aims at aligning the ECT with the Paris Agreement.

The proposed amendments to the Treaty affecting fossil fuels will apply only to Part III of the Treaty, dealing with “Investment Promotion and Protection”. The proposed revisions of the Treaty affecting fossil fuels would be implemented gradually, with implementation dates of ten years after the entry into force of the amendments to the Treaty, but not later than 2040. Existing investments would continue to be protected for ten years after the entry into force of the amendments. The deadlines for the removal of investment protection of fossil fuels are justified, given the need to achieve net zero emissions by 2050, and considering the long timeframes of investments in energy projects.

As regards the appointment of the next Secretary General of the Energy Charter Secretariat, the process is ongoing and the EU counts on the constructive engagement and cooperation of Contracting Parties and Signatories.

e) IRENA

Commissioner Simson participated in the opening session of the 11th IRENA Assembly on energy transition for a post-COVID recovery, as well as in the ministerial discussion on the role of innovation, green hydrogen and socio-economic policies to support carbon neutrality on 20 January. The European Commission also prepared and submitted a common input paper by the European Union for the preparation of IRENA’s work programme for 2022-2023. The European Commission presented these inputs at the 21st Council meeting of IRENA on 24-26 May, and will report back on the collaborative framework on green hydrogen that the European Commission is facilitating together with Morocco.

f) 12th Clean Energy Ministerial and 6th Mission Innovation Ministerial

The combined 12th Clean Energy Ministerial meeting and 6th Mission Innovation Ministerial, along with important side-events, took place on-line from 31 May to 4 June, hosted by Chile.

The Clean Energy Ministerial session was addressed by Commissioner Simson on 3 June 2021.

During the meeting, the next phase of CEM, so-called CEM 3.0 was launched. The CEM Framework is extended to June 2026 and the Administrative Arrangement, including the organisation of the CEM secretariat by the IEA has been extended to June 2025.

These decisions witness the renewed momentum and global ambition to drive the clean energy transition through development and deployment of innovative technologies.

EU Member States Portugal and Poland joined the Clean Energy Ministerial.

g) Energy Diplomacy

EU's Foreign Ministers confirmed in the "Conclusions on Climate and Energy Diplomacy - Delivering on the external dimension of the European Green Deal" of 25 January 2021 that EU energy and climate diplomacy will continue to play a key role in maintaining and strengthening the energy security and resilience of the EU and its partners and to achieve the EU's commitments under the Paris Agreement. EU energy diplomacy will aim, as its primary goal, to accelerate the global energy transition, promoting energy efficiency and renewable technologies, amongst other things. At the same time, the EU's energy diplomacy will discourage further investments into fossil-fuel-based infrastructure projects in third countries, unless they are aligned with an ambitious climate neutrality pathway. It will support international efforts to reduce the environmental and greenhouse gas impact of existing fossil fuel infrastructure. The call for ending international financing for coal has found its way into the latest meeting of G7 climate and environment ministers of 20-21 May. The Council Conclusions will continue to guide external relations work in G7 and other multilateral set-ups.

Ministers invite the Commission and the High Representative to “prepare a new strategy on international energy engagement”. Building on the EGD the strategy on international energy engagement, the first one since 2011, would show how the EU’s energy diplomacy contributes to achieving EU energy objectives, notably on decarbonisation and sustainable and cleaner security of supply while ensuring reliable and affordable energy access. Work is ongoing and adoption is foreseen in Q1 2022.

h) Southern Neighbourhood

Portugal will host the upcoming Union for the Mediterranean (UfM) Ministerial Conference on Energy on 14 June. The meeting will take place in a hybrid format. Commissioner Simson and the Jordanian energy Minister Mrs Zawati together with the UfM Secretary General Mr Kamel Nasser and Minister Matos Fernandes of Portugal will be physically present in Lisbon, all the other participants will be connected via internet. Ministers of the 42 UfM Member States will adopt a Ministerial Declaration, which is almost finalised and was discussed at the Energy Working Party on 31 May, the MaghrebMashrek (MaMa) group on 1 June and approved by Coreper on 2 June before it is adopted by the Council on 7-8 June.

The objective of this Declaration is to reinforce the existing process and set out the framework for regional cooperation for the next period, calling for new joint actions to reinforce Energy Security and speed up collectively a green energy transition, following the recently adopted Joint Communication proposing a Renewed partnership with the Southern Neighbourhood and an ambitious and innovative new Agenda for the Mediterranean.

i) US

The US will host the next EU-US Energy Council. While dates are not yet set up, we are working under the assumption that it will take place in Q4 2021.

B2B events (EU-US High Level B2B LNG conference, EU-US High Level B2B Small Modular Reactors forum and an EU-US High Level B2B event on renewable energy) are scheduled to run along the EU-US Energy Council. DG Energy is preparing a concept note for a B2B event on offshore renewable energy to be held in a physical / virtual format in the US. Currently, it is not planned to organize a follow-up B2B LNG event.

j) Japan

The EU – Japan Green Alliance was launched by the EU’s and Japan’s leaders at their summit meeting on 27 May. It will boost coordinated efforts on both sides to accelerate climate action and deepen the cooperation on the clean energy transition. In the frame of this strengthened cooperation, both sides already jointly organised workshops on offshore wind energy and green hydrogen in April and May 2021.

k) Africa

The African Union (AU) has decided to pursue the creation of the African Single Electricity Market (AfSEM) – a continent-wide electricity market which will become one of the largest electricity markets in the world covering all 55 AU Member States to serve a population of about 1.3 billion people. The AfSEM is particularly relevant to the AU’s vision for an integrated and prosperous continent, as outlined in the AU Agenda 2063 development blueprint. It is one of the tools which equips the African Continental Free Trade Area (AfCFTA) to enable productive transformation and fuel economic development, create jobs, fight poverty, and advance prosperity.

The AU Commission, with the support of the European Union, developed a Policy Paper, Roadmap and the Governing Structure for the Africa Single Electricity Market. The market will be implemented progressively starting as early as 2023, with full operationalisation foreseen to be achieved by 2040. The AfSEM is supported by the implementation of a Continental Power System Masterplan currently under development under the coordination AU Development Agency (AUDA-NEPAD).

The AfSEM Policy Paper, Roadmap and the Governing Structure were validated by Regional Economic Communities, the Power Pools and other Pan African Institutions, adopted by the Extraordinary STC-TTIIET on 12th January 2021 and endorsed by the AU Heads of States and Government on 7th February 2021 at the 34th Ordinary Session of the AU Assembly. The AU plans to hold a ceremony to launch AfSEM on 3rd June 2021 on the side-lines of the 3rd Ordinary Session of the Specialised Technical Committee on Transport, Transcontinental and Interregional Infrastructure, and Energy.

Commissioner Simson will take part in this launch event, providing positive messages on the African ambition to set up the AfSEM while also drawing on lesson learned from the European experience.

D) Southern Gas Corridor

The 7th Southern Gas Corridor Advisory Council, co-organised by Azerbaijan and the European Commission, took place in a virtual format on 11 February 2021.

President Aliyev opened the meeting in presence of the Commissioner for Energy Simson and the Commissioner for European Neighbourhood Policy Várhelyi. Next to the traditional attendants (e.g. Georgia, Turkey, several EU Member States, US, UK, Turkmenistan), the Western Balkans partners participated for the first time in the meeting.

President Aliyev welcomed the completion of the Southern Gas Corridor. Since the end of December 2020, the first Azerbaijani gas is flowing from the Caspian Sea to Europe. He signalled that Azerbaijan is engaging with partner companies in further gas exploration work in the Caspian Sea.

The discussions focused on the Corridor's possible future expansion and the Trans-Adriatic Pipeline's possible extension to the Western Balkans region. Many representatives, including from the Western Balkans, signalled an interest in additional gas deliveries from Azerbaijan through the Southern Gas Corridor.

Commissioner Várhelyi reiterated the importance of the Economic and Investment Plan for the Western Balkans and the need for concrete coal phase out plans. Commissioner Simson recalled the relevance of the European Green Deal also for the Western Balkan and suggested to assess the region's gas needs via the Energy Community based on a case-by-case assessment.

Azerbaijan suggested to continue the discussions on the Southern Gas Corridor's possible further expansion in one year's time.
