



Brussels, 10 June 2014

## BACKGROUND<sup>1</sup>

### TRANSPORT, TELECOMMUNICATIONS AND ENERGY COUNCIL

#### Energy issues only

Friday 13 June in Luxembourg

*The Council, which starts at 9.30 a.m., is expected to reach a political agreement on the so-called **ILUC (indirect land-use change)** directive amending the fuel quality and renewable energy directives. The directive aims to minimise the impact of indirect changes of land use on greenhouse gas emissions, whilst protecting existing investments made in biofuels production.*

*Ministers will work on the **follow-up to the 2014 March European Council**. Under this item, they will focus on the Commission briefing on **completing the internal energy market**, the Commission's presentation of its communication on a "**European Energy Security Strategy**" and discuss the **2030 climate and energy framework**.*

*The Council is expected to adopt conclusions on "**Energy prices, protection of vulnerable consumers and competitiveness**".*

*Ministers will also hold a policy debate on the **value of multilateral frameworks**. The Council will be briefed on recent **developments in the field of external energy relations**.*

*Over lunch, ministers will discuss **energy matters related to developments in Ukraine**. The Secretary General of the Energy Charter, Mr Urban Rusnák, will brief ministers on the relevance of the Energy Charter in this respect.*

**Press conference:** before lunch (+/-12.40).

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<sup>1</sup> This note has been drawn up under the responsibility of the press office.

**P R E S S**

## **Indirect land-use change**

In a public deliberation, the Council is expected to reach a political agreement on the draft directive on indirect land-use change (ILUC) amending the fuel quality (98/70/EC) and renewable energy (2009/28/EC) directives ([10300/14](#) + [10300/14 COR 1](#)).

The aim of the proposed directive is to start a transition to biofuels that deliver substantial greenhouse gas savings when estimated indirect land-use change emissions are also reported, while existing investments should be protected.

In December 2013, the Energy Council examined a presidency compromise text of this draft directive. However, there were still some outstanding issues. Therefore, the Council's preparatory bodies continued to work further on the proposal, with a view to facilitating political agreement.

The Hellenic presidency focused on two aspects in its compromise text: a stronger encouragement for advanced biofuels, while leaving flexibility for member states, and some additional elements to reflect considerations on estimated ILUC emissions and the possible impact of EU policies on biofuels as regards the environment and cross-compliance in respect of agriculture and climate policies.

The renewable energy directive established mandatory targets to be achieved by 2020 for a 20% share of renewable energy in the EU's energy consumption and a 10% share for renewable energy in the transport sector. At the same time, an amendment to the fuel quality directive introduced a mandatory target of a 6% reduction in the greenhouse gas intensity of fuels used in road transport and non-road mobile machinery to be reached by 2020.

When these directives were adopted, the European Parliament and the Council asked the Commission to review the negative effects on greenhouse gas savings which might result from the conversion of land and, if need be, to present a legislative proposal. The draft directive was presented by the Commission in October 2012 ([15189/12](#)).

The European Parliament adopted its first reading position on 11 September 2013.

## **Follow-up to the 2014 March European Council**

In a public deliberation, the Council will take stock of the follow-up to the 2014 March European Council. This item will be structured in three parts:

- presentation by Commissioner Oettinger on the progress achieved towards completion of the internal energy market, providing that the Commission's report will be adopted after the Council meeting;
- presentation by the Commission of its recent Communication on a European Energy Security Strategy;
- policy debate, addressing energy security, interconnections, and generally the 2030 climate and energy framework.

To structure the debate, the presidency proposed three questions ([10299/14](#)) to ministers focusing on energy security, interconnections, and generally the 2030 climate and energy framework.

### European Energy Security Strategy

The Commission will present to ministers its recently adopted communication ([10409/14](#)), drawn up at the request of the March 2014 European Council ([EUCO 7/14](#), point 20).

The communication outlines the well-known facts about EU energy dependency and concludes that the EU remains vulnerable to external energy shocks. The EU therefore needs a strategy for energy security which promotes resilience to these shocks and disruptions to energy supplies in the short term as well as reduced dependency on particular fuels, energy suppliers and routes in the long-term. The strategy sets out areas where decisions need to be taken or where specific measures need to be implemented in the short, medium and longer term to respond to energy security concerns. This is based on eight key pillars:

- immediate actions aimed at increasing the EU's capacity to overcome a major disruption next winter;
- strengthening emergency/solidarity mechanisms including coordination of risk assessments and contingency plans; and protecting strategic infrastructure;
- moderating energy demand;
- building a well-functioning and fully integrated internal market;
- increasing energy production in the EU;
- further developing energy technologies;
- diversifying external supplies and related infrastructure;
- improving coordination of national energy policies and speaking with one voice in external energy policy.

For more information on this issue see the Commission [website](#).

### 2030 climate and energy framework

The presidency will report on the outcome of the debate to the President of the European Council with a view to the European Council meeting of 26-27 June 2014.

The Commission communication on the 2030 climate and energy framework ([5644/1/14 REV 1](#)), presented on 22 January, suggests a framework for future EU energy and climate policies and is intended to launch a process to reach a shared understanding of how to take these policies forward in the future.

The main elements of the proposed framework include:

- a greenhouse gas emissions reduction target of 40% below 1990 levels, to be achieved only through domestic measures (without the use of international credits);
- a renewable energy target of at least 27% of energy consumption, with flexibility for member states to set national objectives;
- energy efficiency as a key component of the 2030 framework: a review of the energy efficiency directive will be concluded later in 2014.

The Commission also outlines a new governance system based on national plans for competitive, secure and sustainable energy to be drawn up by member states. In addition, it proposes a set of indicators intended to assess progress over time and to provide a factual basis for a potential policy response.

Some convergence of views has emerged regarding the principles which could underpin the governance process envisaged for the implementation of the 2030 framework (see Annex I to [10299/14](#)) as well as the main lines of action on energy security (see Annex II to [10299/14](#)).

For more information on this topic, see also the Commission [website](#).

### **Energy prices, protection of vulnerable consumers and competitiveness**

The Council is due to adopt conclusions on energy prices and costs, the protection of vulnerable consumers and competitiveness ([10225/14](#)).

The draft conclusions are based on the Commission's communication on energy prices and costs in Europe, presented in January 2014 in response to a request by the European Council of May 2013. The communication provides an in depth analysis of European energy prices, costs and competitiveness. A policy debate held by ministers on the same topic at the March Energy Council was also considered in the conclusions.

The conclusions focus on energy prices and costs without prejudice to future initiatives to be taken in other areas, in particular, the 2030 climate and energy framework and EU energy security. The conclusions cover three parts: internal energy market, external dimension and consumers.

*The internal energy market:* the Council reaffirms, for instance, the urgent need to complete the internal energy market by 2014 and develop interconnections so as to put an end to any isolation of member states from European gas and electricity networks by 2015. It calls for the effective application and enforcement of EU rules on market integration and further cost-effective measures on energy efficiency in the whole energy chain while striving for a level playing field for companies operating within the EU. In addition, the Council stresses the need for all relevant sectors to reduce their energy consumption by improving energy efficiency based on cost-effective energy saving measures.

*The external dimension:* the Council stresses, for instance, the importance of ensuring a level playing field and of mitigating energy costs differential with competitors of third countries. Furthermore, the Council calls for a coherent approach in the EU's energy relations with third countries. It stresses the need for the Commission and the member states to examine potential ways to strengthen the bargaining power of the EU and its member states vis-à-vis external suppliers.

*Consumers:* the Council underlines, in particular, the importance of strengthening the role, rights and awareness of consumers. It focuses, too, on the importance of the following options designed to combat energy poverty and to assist vulnerable consumers:

- promotion of energy efficiency and energy savings as a key element to protect vulnerable consumers in the long-term,
- targeting the policy measures at those who truly need support,
- accurate identification of vulnerable consumers in order to identify a common understanding of factors which may increase the risk of consumers being vulnerable in the energy market,
- rules to prevent disproportionate disconnection of energy supply,
- improving access to adequate information to enhance the choice of supplier and possibility to switch supplier and finally
- clarification and strengthening of the role of key stakeholders so to improve the situation for vulnerable consumers.

Finally, the Council calls for a follow-up review by the Commission on energy prices and costs and on consumers by 2016:

The Commission communication ([5599/1/14 REV 1](#)) was issued on 22 January in response to a request from the European Council in May 2013 (*EUCO 75/1/2013, page 5*), which called on the Commission to present an analysis of the composition and drivers of energy prices and costs in Europe. The communication provides that analysis and will help policy makers understand the causes of recent price rises, their impact on energy consumers and the political implications.

The communication focuses on electricity and gas prices and costs, including their impact on citizens' access to stable and affordable energy prices and on the EU's industrial competitiveness. As there are no major differences between oil and coal prices across the globe, these sectors were not specifically covered in the communication. The communication explains, that the consumer price for electricity and gas is determined by: energy prices (wholesale and retail prices), network costs (transmission and distribution costs) and taxes/levies (general and targeted levies). The communication points out that prices, and especially costs, have continued to rise overall for both households and industry despite falling or stable consumption.

For more information on this topic see also Commission's [website](#).

### **International relations - Value of multilateral energy frameworks**

The Council will be briefed by the presidency and the Commission on recent developments in the field of external energy relations ([9616/14](#)). It will also hold a policy debate on the value of multilateral energy frameworks.

The discussions will focus on existing multilateral energy frameworks: the Energy Community, the Energy Charter Treaty, the International Energy Agency. They will also cover the issue of energy cooperation in the Mediterranean. In view of the current political and economic situation, the discussion will focus mainly on the next steps in the development of these multilateral frameworks and on the Mediterranean area.

The presidency prepared a note ([9763/14](#), [9763/14 COR 1](#)) on the current state of play for the topics discussed and proposed questions for the debate.

### Energy Community

The Treaty establishing the Energy Community entered into force in 2006. The Energy Community extends the EU internal energy market to South East Europe and beyond on the basis of a legally binding framework. It aims to provide a stable investment environment based on the rule of law, and binds the contracting parties, together with the European Union. Through its action, the Energy Community contributes to security of supply in the wider European context.

Contracting parties are: the EU, Albania, Bosnia-Herzegovina, the former Yugoslav Republic of Macedonia, the Republic of Moldova, Montenegro, Serbia, Kosovo (pursuant to United Nations Security Council Resolution 1244) and Ukraine. Georgia has applied for membership.

The Energy Community *acquis* includes key EU legislation in the areas of electricity, gas, oil, competition, environment, energy efficiency, renewable energy resources and statistics.

In October 2013, the Ministerial Council of the Energy Community decided to extend the duration of the Energy Community Treaty for a further 10 years ([OJ L 320 of 30.11.2013, p.81](#)). At the same time, ministers of the Energy Community Ministerial Council established a High Level Reflection Group (chaired by Mr Jerzy Buzek, MEP) mandated to assess the adequacy of the institutional set up and working methods in achieving objectives of the Treaty. The next ministerial council scheduled for 23 September 2014 is set to include a political debate on the possible evolution and functioning of the Energy Community Treaty.

For more details see Energy Community [website](#).

### Energy Charter and Energy Charter Treaty

Following the end of the Cold war, the Energy Charter was adopted as a declaration of political intent to promote energy cooperation. The Energy Charter Treaty entered into force in 1998. It is an international agreement which aims at strengthening the rule of law on energy issues, by creating a level playing field of rules to be observed by all participating governments, thereby mitigating risks associated with energy-related investment and trade. It has been signed by 52 countries, and its secretariat is based in Brussels.

As in 2009 Russia announced that it does not intend to ratify the Treaty. The Treaty is less effective, when Russia is not fully on board. For this reason a process of modernisation, which was started in 2009, aims at increasing the attractiveness and relevance of the Treaty. A key part of the modernisation is the intention to agree in the near future on a new political declaration to support the Energy Charter's objectives. In 2012, agreement was reached on a policy for consolidation, expansion and outreach of the constituency, so as to engage new countries, and target in particular the main regional players in the Middle East and North Africa.

For more details see Energy Charter Treaty [website](#).

### The International Energy Agency

The International Energy Agency (IAE) was established in 1974 and is based in Paris. The IEA is an autonomous organisation which works to ensure reliable, affordable and clean energy for its 29 member countries and beyond. The IEA's four main focus areas are: energy security, economic development, environmental awareness, and engagement worldwide.

After the IEA Governing board at the ministerial level in November 2013, the agency started a reflection on its strategic orientation for the coming years. The agency has a outreach programme of bilateral and multilateral commitments beyond its membership. One major project is the IEA Association initiative aimed to seek to integrate partner countries in its work. The initiative is a way for the IEA to ensure its continued role in the global energy architecture and to maintain the high quality of its analysis. The association process is the next step and a way to involve partner countries, which do not have a prospect of Organisation for Economic Co-operation and Development (OECD) membership in the near future.

For more details see IEA's [website](#).

### Energy cooperation in the Mediterranean

The 5th Euro-Mediterranean Energy ministerial meeting took place in Cyprus in December 2007. It adopted a priority Action Plan 2008-2013 comprising a range of priorities, such as harmonisation of energy markets and legislation and the integration of energy markets, promotion of sustainable energy sectors and use, development of gas, oil and electricity infrastructure of common interest, with the aim of offering something of interest to every partner.

In December 2013 the ministerial meeting on Energy was held in Brussels. The first orientation debate was on future perspectives of the Euro-Mediterranean partnership in the energy sector, including the notion of an energy community of Union for the Mediterranean members. Technical consultations at expert level are scheduled to continue throughout this year.

For more details see Commission's [website](#).

### **Other business**

#### **Nuclear issues**

- *Information from the Commission (10234/14)*

#### **Work programme of the incoming Presidency**

- *Information from the Italian delegation ([10236/14](#))*

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