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THE EUROPEAN UNION**

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**LIMITE**

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**NOTE**

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from :            Presidency  
to :                Coreper

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Subject :        *European Council (23 and 24 March 2006)*  
                      *– Draft conclusions*

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Delegations will find attached draft European Council conclusions on energy.

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**PART II**  
**ENERGY POLICY FOR EUROPE**

1. The European Council notes that Europe is facing a number of challenges in the energy field: the ongoing difficult situation on the oil and gas markets, the increasing import dependency and limited diversification achieved so far, high and volatile energy prices, growing global energy demand, the growing threats of climate change, slow progress in energy efficiency and the use of renewables, the need for further integration of national energy markets with the energy market liberalisation nearing completion (July 2007), the limited coordination between energy players while large investments are required in energy infrastructure. Leaving these challenges unaddressed has a direct impact on the EU environment, and jobs and growth potential.
2. In response to these challenges and on the basis of the Commission's Green Paper "A European Strategy for Sustainable, Competitive and Secure Energy" and the contribution of the Council, the European Council calls for a Energy Policy for Europe, aiming at effective Community policy, coherence between Member States and consistency between actions in different policy areas.
3. The European Council underlines that to achieve this consistency, energy policy has to satisfy the demands of many policy areas. As part of a growth strategy and through open and competitive markets, it prompts investment, technological development, domestic and foreign trade. It is strongly linked with environment policy and is closely connected with employment, regional policy and particularly transport policy. In addition foreign and development policy aspects are gaining increasing importance to promote the energy policy dialogue with other countries. Therefore, the European Council calls for an enhanced coordination between the relevant Council formations and invites the European Commission to integrate this new approach towards energy policy into its Better Regulation Initiative.

4. This EPE should be developed with adequate knowledge and understanding of Member States' energy needs and policies. The EPE should therefore be based on shared perspectives on long term supply and demand and an objective, transparent assessment of the advantages and drawbacks of all energy sources and contribute in a balanced way to its three main objectives:
- a) Increasing security of supply through:
- Development of a common external (foreign and trade) policy approach in support of energy policy objectives, and the furthering of energy dialogues between the EU and its Member States on the one hand, and producer, transit and consumer countries on the other hand, in synergy with relevant international organisations
  - Intensified diversification with respect to external as well as indigenous sources, suppliers and transport routes supported by investing in the necessary infrastructure
  - Ensuring common operational approaches to address crisis situations, taking solidarity and subsidiarity into account
- b) Ensuring the competitiveness of European economies and the affordability of energy supply to the benefit of both businesses and consumers, in a stable regulatory framework, by:
- Ensuring full, effective and transparent implementation of internal market legislation, promoting approaches similar to that of the internal energy market to neighbouring countries and enhancing coordination of energy regulators
  - Accelerating the development of regional energy cooperation within the EU, facilitating the integration of regional markets into and further development of the EU internal market
  - Fostering the coherent development of storage and infrastructure in particular of interconnections with, for electricity, the target of at least 10% of Member States' installed production capacity
  - Reviewing existing directives and legal framework in order to speed up the administrative authorisation procedures for, and develop a regulatory environment more conducive to investment projects

- c) Promoting environmental sustainability by:
- Affirming the EU leadership by adopting an ambitious and realistic Action Plan on Energy Efficiency bearing in mind the EU energy saving potential of 20% by 2020
  - Continuing the EU-wide development of renewable energies (road map) on the basis of an analysis by the Commission of how to achieve the existing targets (2010) and how to raise, by 2015, the share of renewable energies, considering a target of 15% , and the proportion of biofuels, considering a target of 8%, and developing a medium and long-term strategy to reduce the EU's dependency on energy imports in a manner that meets the Lisbon objectives
  - Implementing the Biomass Action Plan
  - In the context of the development of a medium- to long-term EU strategy to combat climate change, completing the review of the EU Emissions Trading Scheme as an instrument to achieve climate change objectives in a cost-effective manner and assessing the potential of various sectors with respect to these objectives
  - Ensuring adequate support from RD & D national and Community instruments to sustainable energies and technologies

5. In fulfilling these main objectives the EPE for Europe should:

- Ensure transparency and non-discrimination on markets
- Be consistent with competition rules
- Be consistent with public service obligations
- Fully respect Member States' sovereignty over primary energy sources and choice of energy-mix

6. Annex Z sets out a series of actions contributing to the above objectives. On that basis the European Council invites the Commission to present immediate measures including an Action Plan on Energy efficiency. Furthermore the European Council calls the Commission and the Council to develop a prioritised Action Plan to be adopted by the European Council at its 2007 Spring session addressing the various components of energy policy over the medium- to long-term. Actions of European interest could be reported by Member States on that occasion.

**PRIORITIES FOR ACTION**

The actions listed below pertain to both the internal and external aspects of energy policy and may contribute to more than one of its three objectives.

**SECURITY OF SUPPLY****Facing supply disruptions**

1. Ensuring the availability of effective mitigating measures and coordination mechanisms in the event of a supply crisis based on the principles of solidarity and subsidiarity by considering a flexible combination of the measures set out in the Gas Supply Directive, based on improved data on gas stocks.
2. Enhancing demand-side management, particularly in the housing and transport sectors, to accelerate the demand response.
3. Improving the effectiveness of gas and oil provisions.

**Intensified Diversification**

4. Member States should intensify their diversification strategies while considering the development of a common approach, be it in terms of the supplier countries or the transportation routes in particular by opening up new gas supply routes from the Caspian region and North Africa. This diversification should not be limited to external sources but include the development and exploitation of indigenous energy potential and energy efficiency.
5. Completion of network infrastructure, in the East-West direction but also along a South-North axis, and LNG (Liquified Natural Gas) facilities contributing to that diversification should be accelerated.
6. Subject to competition requirements, the contribution of long-term contracts should be acknowledged from both demand and supply points of view.

## **External dimension of security of supply**

7. Developing a common voice in support of energy policy objectives, when addressing third countries fostering a more cooperative approach regarding access to energy resources.
8. Securing the entry into force of the Energy Community Treaty (with South-East Europe) in 2006 and considering the extension of its membership or principles to neighbouring countries.
9. Developing a common framework for establishing new partnerships with third countries, including transit countries and improving existing ones. Consumer to producer partnerships should be supplemented with consumer to consumer ones. All fora should be put to good use for carrying out these dialogues, which can be conducted in a regional setting (e.g. OPEC, Euromed, or Northern Dimension area) if this adds to their effectiveness.
10. In order to maximise the outcome of these dialogues as well as facilitating the access of developing countries to sustainable energy and related technologies, synergies with international organisations, including IFI's, should be fully exploited.
11. The Energy Dialogue with Russia should be revitalised and become more open and effective in support of EU energy objectives, based on our mutual inter-dependence on energy issues and thus the need for secure and predictable investment conditions for both EU and Russian companies and reciprocity in terms of access to markets and infrastructure as well as non discriminatory third party access to pipelines in Russia. Efforts should be made to complete the negotiation of the Energy Charter Transit Protocol and secure Russia's ratification of the Energy Charter Treaty.

## **MARKET COMPETITIVENESS AND INVESTMENT**

### **Furthering market integration to the benefit of businesses and consumers**

12. Improving regional cross-border exchange and accelerating the development of regional energy cooperation while facilitating the integration of regional energy markets into and the further development of the EU internal market notably through adequate interconnection measures to reach the target of a level of electricity interconnections equivalent to at least 10% of their installed production capacity as agreed by the European Council in Barcelona in 2002.

13. Making networks operate like a single grid from the end-user's point of view by completing the technical rules required for cross-border trade in energy, improving the functioning of gas market flexibility instruments, including storage capacities, access to networks and congestion management on the electricity market.
14. Ensuring full, effective and transparent implementation of existing legislation. This implementation should be in line with public service obligations, ensuring that liberalisation is also beneficial in terms of affordable access to energy.
15. Enhancing cooperation and coordination between regulators and system operators on a regional basis inter alia by a coordinated exchange of information at EU level and, at EU level e.g. by building on already existing administrative bodies like the European Energy Regulators Group for Electricity and Gas (EREG).

### **Fostering the coherent development of infrastructure**

16. Improving medium- to long-term investment planning procedures and investment coordination, especially as regards cross-border interconnection, gas infrastructure and LNG facilities and ensuring a business climate more conducive to long-term investment through increased transparency and exchange of information based on Member States' own planning.
17. Providing a balanced mechanism in regard of long term contracts that will strengthen competition on the internal market and at the same time safeguard investment incentives.
18. Reviewing existing directives and legal framework conditions in the light of the need to speed up administrative authorisation procedures substantially while maintaining environmental and health standards, in particular by considering time-limits for the procedures.

## **SUSTAINABLE ENERGY**

### **Renewables**

19. Producing a Commission analysis of how to achieve the existing targets (2010) of renewables and how to further promote renewable energies (road map) considering to raise their share to 15% by 2015 and in the same way further the use of biofuels in the transport sector by considering to raise their proportion to 8% by 2015 accompanied by a constructive dialogue with the oil industry and by giving maximum support to research on and development of the 2<sup>nd</sup> generation bio fuels.

20. Promoting the use of biomass with a view to diversify the EU's fuel supply sources, reduce greenhouse gas emissions and offer new income and employment opportunities in rural areas by taking forward proposals in the Biomass Action Plan in all of its three sectors: heating and cooling, electricity and transport.
21. Mitigating legislative and administrative obstacles to renewables take-off by facilitating access to grid, cutting administrative red-tape and ensuring the transparency, effectiveness and certainty of support policies.

### **Energy efficiency**

22. Bearing in mind the EU energy saving potential of 20% by 2020 the Commission should propose an ambitious and realistic Action Plan on Energy Efficiency with a view to its adoption in 2006 and consider the start of negotiations on an International Agreement on energy efficiency.
23. Improving energy efficiency notably in the transport sector given the important role this sector has to play, making use of cost-effective instruments, including voluntary agreements.
24. Fully implementing the legislation on energy performance in buildings and end-use efficiency and energy services.
25. Substantially enhancing the efficiency of power stations in particular by further promoting the use of combined heat and power.

### **Contributing to climate change policy**

26. Contributing to the development of a medium to long term EU strategy to combat climate change in a post-2012 perspective and the achievement of Kyoto targets.
27. Completing in a timely manner the review of the EU ETS as an instrument to achieve climate change objectives in a cost-effective manner, taking into account its impact on the three objectives of energy policy, on energy markets, the growth potential and industry structure of Member States and the need for long term certainty
28. In its energy dialogues with third countries, the EU should facilitate the development of sustainable and efficient energy systems and assume a more proactive approach in combating climate change, promoting renewables and energy efficiency and the implementation of the Kyoto Protocol mechanisms.



## **HORIZONTAL AND SUPPORTING ACTIONS**

### **Evidence-based policy-making**

29. Developing analytical (energy modelling and regional scenarios; indicators), and market and stocks monitoring tools in order to provide the EU with shared perspectives on long-term supply and demand as regards the EU and its partners, in synergy with other international institutions. In particular the Commission is encouraged to make rapid progress on the means to provide transparency and predictability regarding demand and supply on EU energy markets and to complement the work of the IEA while avoiding duplication of work.
30. Assessing the advantages and drawbacks of all individual energy sources with regard to the three objectives of energy policy; this assessment should cover all different sources, from indigenous renewable energy sources, to clean coal and the future role of nuclear energy in the EU for Member States which wish to pursue this option.

### **Research, Development and Demonstration - Technology development**

31. Increasing the priority for energy in national and Community RD & D budgets, especially within the 7th Framework Programme, focusing on sustainable energies and technologies responding to the challenges faced by the EU.
32. Supporting these technologies through a broader range of platforms and partnerships with third countries, and facilitating the market take-up of the resulting technologies including through relevant Community instruments, so as to comfort the EU leadership.

### ***Coordination***

33. In order to ensure a coherent implementation of the above priority actions, shared general orientations addressing the various components of energy policy as implemented by Member States should be developed, taking due account of Member States' characteristics.