



**COUNCIL OF
THE EUROPEAN UNION**

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LIMITE

POLGEN 28

ADDENDUM TO THE NOTE

from : Presidency
to : Permanent Representatives Committee

Subject : *European Council (8 and 9 March 2007)*
 – *Draft conclusions*

The Presidency submits herewith to COREPER draft conclusions on energy and climate change to be adopted by the European Council at its meeting on 8 and 9 March 2007.

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III. An integrated energy and climate policy

1. The challenges of climate change need to be tackled effectively and urgently. Recent studies on this subject have stressed the need for decisive and immediate action. They have contributed to a growing awareness and knowledge of the long-term consequences, including for global economic development. The European Council underlines the vital importance of achieving the strategic objective of the Union and its Member States to limit the global average temperature increase to not more than 2° C above pre-industrial levels.
2. Given that energy production and use are the main sources for green house gas emissions, an integrated approach to energy and climate policy is needed to realize this objective. Integration should be achieved in a mutually supportive way, thus enabling the Energy Policy for Europe (EPE) to contribute to its three underlying objectives of
 - increasing security of supply;
 - ensuring the competitiveness of European economies and the availability of affordable energy;
 - promoting environmental sustainability and combating climate change.

In this context, the European Council reconfirms the full respect of Member States' sovereignty over primary energy sources and choice of energy mix.

Energy Policy

3. To further promote the objectives of the Energy Policy for Europe, the European Council has adopted a comprehensive energy Action Plan for the period 2007-2009 (Annex XX), based on the Commission's Communication "An Energy Policy for Europe". The European Council underlines that concrete actions are to be taken according to the provisions and conditions laid down in the Action Plan. This Action Plan focuses on the internal market for gas and electricity, security of supply, international energy policy of the European Union, energy efficiency and renewable energies and the improvement of energy technologies, and sets important strategic targets for these areas.

4. The European Council agrees that significant progress in the efficient operation of the European Union's **internal market for gas and electricity** for the benefit of consumers and businesses still has to be achieved by enhancing competition, ensuring effective regulation and encouraging investment. The European Council reaffirms that the first step is to ensure timely and full implementation of both the letter and the spirit of existing internal market legislation in this field. Further measures are, inter alia, effective separation of supply and production activities from network operations, further harmonisation of the powers and strengthening of the independence of national energy regulators, establishment of an independent mechanism for national regulators to cooperate and take decisions on important cross-border issues, improved cooperation between network operators, a more efficient and integrated system for cross-border electricity trade and grid operation, facilitated integration of new power plants into the electricity grid as well as increased transparency in energy market operations and consumer protection.
5. The European Council reaffirms the need for improved regional cross-border exchange and for accelerating the development of regional energy cooperation while addressing the challenges of peripheral energy markets and facilitating the integration of regional ones into the EU internal market and its further development, notably through interconnection, taking into account the integration of on- and off-shore renewable energies. In particular, the most critical interconnection projects of EU interest should be accelerated. The European Council takes note of the envisaged appointment of EU coordinators for four projects as specified in the Action Plan.
6. The European Council agrees to enhance **security of supply** in a spirit of solidarity between Member States through the effective diversification of energy sources, suppliers, and transport routes and the development of more effective crisis response mechanisms.

7. An effective European **international energy policy** needs to speak with a "single voice" (Commission and Council Presidency) in international energy dialogues. Through consumer-to-producer, consumer-to-consumer and consumer-to-transit country dialogues and partnerships the EU wants to enhance security of supply, foster climate protection, strengthen global efforts on energy efficiency, increase the share of renewable energies and promote sustainable use of fossil fuels. The European Council endorses the idea of establishing a new international agreement on energy efficiency and of developing a comprehensive energy partnership between Africa and Europe, contributing both to energy accessibility and sustainability in this region and to security of supply for the EU. It also supports international negotiations to encourage sustainable methods of production as well as to promote international trade in environmental and energy-efficient goods and services.
8. The European Council is aware of the key importance of enhanced **energy efficiency**, which will directly increase the security of supply, reduce the emission of greenhouse gases and curb the projected rise in energy prices. The European Council urges Member States to realise the objective of saving of 20% of the EU's energy consumption in a cost-efficient manner by 2020, as suggested by the Commission, especially through energy-efficient transport, dynamic minimum efficiency requirements for energy-using equipment, energy-efficient and energy-saving behaviour of energy consumers, energy technology and innovations and the energy savings from buildings.
9. **Renewable energies** are not only an indispensable element in combating climate change but will also help to reduce Europe's dependence on external energy supply. Promoting an increased use of renewable energies will equally underline Europe's leading role in energy technology. Given the paramount importance of a clear signal to industry, investors and researchers as well as of sustainable production and cost-efficiency of renewable energies the European Council endorses a 20% binding target for the share of renewable energy in overall EU energy consumption and a 10% binding minimum target for the share of biofuels, including commercially available second-generation biofuels, in overall EU transport petrol and diesel consumption by 2020, while taking into account different national circumstances, starting points and potentials.

10. Recognizing the need to accelerate the competitiveness of sustainable energies, notably renewables, sustainable and low carbon **energy technologies** and to further develop energy efficiency technologies, Member States agree to strengthen research and development in the field of energy and to develop the necessary framework for bringing environmentally safe Carbon Capture and Storage technology to markets if possible by 2020. The European Council invites the Commission to develop a European Strategic Energy Technology Plan for consideration by its 2008 Spring meeting.
11. With the aim of examining the results and progress made, this Action Plan will be kept under regular review. The Commission is therefore invited to put forward an updated Strategic Energy Review every two years.

Climate protection

12. The European Council underlines the leading role of the EU in international climate protection. It stresses that international collective action will be critical in driving an effective, efficient and equitable response on the scale required to face climate change challenges. To this end negotiations on a global and comprehensive post-2012 agreement, which should build upon and broaden the Kyoto Protocol architecture, need to be launched at the UN international climate conference beginning at the end of 2007.
13. The European Council reaffirms that absolute emission reduction commitments are the backbone of a global carbon market. Developed countries should continue to take the lead by committing to collectively reducing their emissions of greenhouse gases in the order of 30% by 2020 compared to 1990. They should do so also with a view to collectively reducing their emissions by 60% to 80% by 2050 compared to 1990.

14. In this context, the European Council endorses an EU objective of a 30% reduction in greenhouse gas emissions by 2020 compared to 1990 as its contribution to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions. At the same time economically more advanced developing countries are called upon to adequately contribute according to their responsibilities and respective capabilities.
15. The European Council emphasises that the EU is committed to transforming Europe into a highly energy-efficient and low greenhouse-gas-emitting economy and decides that, until a global and comprehensive post-2012 agreement is concluded, and without prejudice to its position in international negotiations, the EU makes a firm independent commitment to achieve at least a 20% reduction of greenhouse gas emissions by 2020 compared to 1990.
16. The European Council decides that a differentiated approach to the contributions of the Member States is needed reflecting fairness and transparency as well as taking into account national circumstances and the base years for the first commitment period of the Kyoto Protocol. It recognizes that the implementation of these targets will be based on Community policies and on an agreed internal burden-sharing and invites the Commission to start immediately, in close cooperation with the Member States, a technical analysis of criteria, including socio-economic parameters and other relevant and comparable parameters, to form the basis for further in-depth discussion.
17. Given the central role of emission trading in the EU's long-term strategy for reducing greenhouse gas emissions, the European Council invites the Commission to review the EU Emissions Trading Scheme in good time with a view to increasing transparency and strengthening the scheme.

ENERGY POLICY FOR EUROPE (EPE)

ACTION PLAN (2007 – 2009)

The Action Plan comprises the following priority actions, some of which may contribute to more than one of the three objectives of the EPE. New measures should take into account the better regulation principles, notably as regards impact assessments.

INTERNAL MARKET FOR GAS AND ELECTRICITY

1. With the aim of increasing competition, ensuring effective regulation and encouraging investment to benefit consumers and businesses the Commission should elaborate measures taking account of the characteristics of the gas and electricity sectors and of national and regional markets and ensuring, including through the development of existing legislation where possible,
 - effective separation of supply and production activities from network operations (unbundling), based on independently run and adequately regulated network operation systems which guarantee equal and open access to transport infrastructures and independence of decisions on investment in infrastructure
 - further harmonisation of the powers and the strengthening of the independence of national energy regulators
 - the establishment of an independent mechanism for national regulators to cooperate and take decisions on important cross-border issues

- the creation of a new Community mechanism for Transmission System Operators to improve coordination of network operation and grid security, building on existing cooperation practices
- a more efficient and integrated system for cross-border electricity trade and grid operation, including elaboration of technical standards
- facilitated integration of new power plants into the electricity grid in all Member States, in particular encouraging new market entrants
- relevant investment signals contributing to the efficient and more secure operation of the transmission grid
- increased transparency in energy market operations
- better consumer protection, e.g. through the development of an Energy Customers' Charter.

2. Furthermore the Commission should:

- provide additional clarifications on to the key measures envisaged and their impact
- elaborate together with Member States the medium- and long-term forecasts for gas and electricity supply and demand, and identify the additional investment required to satisfy EU strategic needs
- assess the impact of vertically integrated energy companies from third countries on the internal market and how to implement the principle of reciprocity.

3. With a view to further developing the EU internal market, notably through interconnection:

- the Commission should appoint where necessary, as a first step in accordance with Article 10 of Decision 1364/2006/EC, European coordinators to accelerate the most critical interconnection priority projects of European interest
- Member States concerned should achieve at least 10% of electricity and gas interconnection capacity by 2010
- the Commission should table proposals aiming at streamlining approval procedures.

SECURITY OF SUPPLY

4. Enhancing security of supply of the EU as a whole as well as for each Member State through:
- effective diversification of energy sources and transport routes, which will also contribute to a more competitive internal energy market
 - developing more effective crisis response mechanisms in a spirit of solidarity, on the basis of mutual co-operation and building in particular on existing mechanisms, considering a wide range of options after careful assessment of existing means, taking into account the primary responsibility of Member States regarding their domestic demand, and making appropriate use of the warning capacity provided by the network of energy security correspondents
 - improving oil data transparency and reviewing EU oil supply infrastructures and oil stocks mechanisms, complementary to the IEA crisis mechanism, especially with regard to availability in the event of a crisis
 - a thorough analysis of the availability and costs of gas storage facilities in the EU
 - an assessment of the impact of current and potential energy imports and the conditions of related networks on each Member State's security of supply
 - establishing an Energy Observatory within the Commission.

INTERNATIONAL ENERGY POLICY

5. The European Council emphasises the need to speed up the development of a common approach to the external energy policy of the EU in support of all three energy policy objectives by:
- speaking with a "single voice" when addressing third countries
 - negotiating and finalising a post-partnership and cooperation agreement with Russia in particular relating to energy issues ¹

¹ This formulation is without prejudice to on-going discussions on the negotiating mandate for the post-PCA agreement.

- intensifying the EU relationship with Central Asia, the Caspian and the Black Sea regions, with a view to further diversifying sources and routes
- ensuring the implementation of the Energy Community Treaty, with a view to its further development and possible extension to Norway, Turkey, Ukraine and Moldova
- making full use of the instruments available under the European Neighbourhood Policy
- enhancing energy relationships with producing countries in the Mashrek/Maghreb region, notably Algeria and Egypt
- strengthening partnership and cooperation by building on the bilateral energy dialogues with the USA as well as with China, India and other emerging economies, focusing on the reduction of GHG, energy efficiency, renewables and low-emission energy technologies, notably CCS
- building a special dialogue with African countries on energy and using Community instruments to enhance in particular decentralised renewable energies and, generally, energy accessibility and sustainability in this region, as well as energy infrastructure of common interest. Launching preparatory work for a new international agreement on energy efficiency in order to develop common global efforts towards promoting energy efficiency, bearing in mind that such an agreement should be complementary to EU energy efficiency policy
- using international negotiations to encourage sustainable methods of production and to promote international trade in environmental and energy-efficient goods and services.

ENERGY EFFICIENCY

6. Member States should realise the objective of saving 20% of the EU's energy consumption in a cost-efficient manner by 2020, as suggested by the Commission, and make good use of their National Energy Efficiency Action Plans for this purpose.

7. There should be thorough and rapid implementation of the ambitious five main priorities as highlighted in the Council conclusions of 23 November 2006 ¹ on the Commission's Action Plan on Energy Efficiency, relating to energy-efficient transport, dynamic minimum efficiency requirements for energy using equipment, energy efficient and energy saving behaviour of energy consumers, energy technology and innovations and the energy savings from buildings.
8. The Community guidelines on State aid for environmental protection and other incentive-providing Community instruments should be reviewed early, with the aim of making them more supportive of the Community's energy and climate change objectives.

RENEWABLE ENERGIES

9. Taking into consideration different individual circumstances, starting points and potentials, the European Council endorses the following targets:
 - a binding target of a 20% share of renewable energies in overall EU energy consumption by 2020
 - a 10% binding minimum target to be achieved by all Member States for the share of biofuels in overall EU transport petrol and diesel consumption by 2020, to be introduced in a cost-efficient way. The binding character of this target is subject to production being sustainable, second-generation biofuels becoming commercially available and the Fuel Quality Directive being amended accordingly to allow for adequate levels of blending.

Differentiated national overall targets should be derived from the overall renewables target with Member States' full involvement; subject to meeting the minimum biofuels target in each Member State, it should be left to Member States to decide on national targets for each specific sector of renewable energies (electricity, heating and cooling, biofuels).

¹ 15210/06

In order to meet these targets, an overall coherent framework for renewable energies should be established on the basis of a Commission proposal in 2007 for a new comprehensive directive on the use of all renewable energy resources. This proposal should be in line with other Community legislation and could contain provisions as regards:

- Member States' overall national targets;
- National Action Plans containing sectoral targets and measures to meet them;
- and criteria and provisions to ensure sustainable production and use of bioenergy and to avoid conflicts between different uses of biomass.

The measures highlighted in the June 2006 Council conclusions ¹ on the Commission Biomass Action Plan, notably as regards demonstration projects for second-generation biofuels, should thoroughly and rapidly implemented.

ENERGY TECHNOLOGIES

10. Stressing the need to strengthen energy research to accelerate the competitiveness of sustainable energies, low carbon technologies and the further development of energy efficiency technologies, the European Council invites the Commission to table a European Strategic Energy Technology Plan during 2007 for consideration at the latest by its 2008 Spring meeting.
11. The Member States and the Commission should work towards strengthening R & D and developing the necessary technical, economic and regulatory framework to bring environmentally safe carbon capture and storage (CCS) to markets, if possible by 2020. The Commission should establish a mechanism to stimulate the construction and operation by 2015 of up to 12 demonstration plants of sustainable fossil fuel technologies in commercial power generation.

¹ 9669/06

12. Confirming that it is for each and every Member State to decide whether or not to rely on nuclear energy and stressing that this has to be done while further improving nuclear safety and the management of radioactive waste, the European Council:

- supports R & D on waste management, particularly under the 7th Framework Research Programme
- can envisage the creation of a high-level group on nuclear safety and waste management.

