COUNCIL OF
THE EUROPEAN UNION

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Council conclusions on Energy 2020: A Strategy for competitive, sustainable and secure energy

3072th TRANSPORT, TELECOMMUNICATIONS and ENERGY Council meeting
Brussels, 28 February 2011

The Council adopted the following conclusions:

"The Council,

In the light of the Commission Communications "Energy 2020: A strategy for competitive, sustainable and secure energy" (16096/10) and "Energy infrastructure priorities for 2020 and beyond" (16302/10),

RECALLING the conclusions adopted by the European Council on 4 February 2011 (doc. EUCO 2/11)

UNDERLINES the importance of a comprehensive energy strategy to ensure EU citizens, industry and economy with safe, secure, sustainable and affordable energy, contributing to European competitiveness, and RECOGNISES in this respect the importance of a fully integrated energy market and energy infrastructure,

STRESSES that:

– the Strategy Energy 2020 should contribute to promoting a more energy and resource-efficient, sustainable, low carbon, secure, interconnected and competitive Europe, to the benefit of all consumers (households as well as businesses);

P R E S S

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- the Strategy should be consistent with and support overriding EU priorities such as fighting climate change, protection of the environment, security of supply and competitiveness;
- the Strategy should be put in the longer 2050 energy and low carbon [1] policy perspective
- energy policies and initiatives developed within the framework of the Strategy should have clear added-value and be proportionate;
- a stable legislative framework and transparent markets are vital for investors;
- the Strategy should contribute to ensuring a strong and consistent EU position in external energy cooperation;
- these conclusions do not prejudge the future negotiations of the next Multiannual Financial Framework

and DEFINES the following short, medium and long term priorities for the Strategy:

I. Short and medium term Priorities

1. Internal energy market

a. The timely and full implementation of the third Internal Energy Market legislative package, including the regulatory work called for by the package, is a prerequisite for the success of the Strategy.

b. Cooperation between national regulators, notably in the framework of ACER, is essential in this respect and should be strengthened.

c. While the third Internal Energy Market package will further strengthen consumers' position, non-legislative initiatives in support of consumers' rights might be required to ensure that consumers make the most out of the internal market, as noted in the Council conclusions "An Energy policy for consumers" of 3 December 2010,.

d. This implementation will be further facilitated by making full use of strengthened regional cooperation, including through market coupling.

2. Energy efficiency

a. The key role to be played by energy efficiency with respect to all the objectives of the Strategy calls for the early submission of a comprehensive and ambitious new Energy Efficiency Plan (EEP 2011) as well as for adequate support to concrete energy efficiency activities at national as well as EU level. Focusing on actions where the EU level has an added-value the EEP 2011 should:

- be developed in consistency and synergy with the Flagship initiative "Resource-efficient Europe" and its related initiatives in line with the indicative EU 20 % energy efficiency target for 2020 while taking due account of Member States' different starting points, national circumstances and potentials;
- build on lessons learned from the 2006 EEAP and focus:
  - i. on measures enhancing energy efficiency, in a cost-efficient way, throughout the energy system, from production and transmission to distribution and end-use, and
  - ii. on the role of the public sector, including public transport and its infrastructure, both as user of energy-efficient solutions and as promoter of energy efficiency. In this respect energy efficiency standards should be included in public procurement for relevant public buildings and services;

[1] Reference to "low carbon" throughout these conclusions should be understood as not excluding energy technologies that while using carbon-based fuel have low carbon emissions.

- in this context, address specific sectors with potential for further actions, in particular the building, transport, and industry sectors while avoiding sectoral targets;
- propose an ambitious implementation of follow-up legislation under the eco-design and labelling Directives in the period 2011-2015;
- foresee the revision of eco-design and energy labelling regulations already in place where justified in order to move towards an approach with minimum standards based on recent technological developments and subject to an assessment of the potential scope and added value of such revision;
- foresee the revision of the Energy Services Directive as well as of the Directive on Combined Heat and Power. The possible revision of the Energy Service Directive should take full account of the results of its mid-term evaluation and impact assessment;
- Integrate the role of consumers in energy-demand management and identify how the demand for energy-efficient solutions can be incentivised. In this respect the Council takes note of the Commission's intention to submit a proposal for the revision of the Directive on Energy Taxation.

b. The implementation of the EEP 2011 and related instruments across Member States would be more easily achieved if a common, easy and practicable methodology for monitoring the development of energy efficiency could be developed. The setting of any additional targets is not justified at present. The implementation of the EU energy efficiency target will be reviewed by 2013 and further measures considered if necessary.

c. Timely and full implementation of relevant legislation (eco-design, labelling, energy performance of buildings, etc.) should be ensured, taking due account of Member States` role with respect to enforcement and the Commission's role in bringing forward further ambitions and dynamic product standards.

d. Given the importance of energy efficiency the issue of the financial support to the implementation of the EEP 2011 should be addressed.

3. Infrastructure

a. The primary role of the market and its operators in the development and financing of infrastructure projects (e.g. networks, storage, LNG facilities) should be maintained. Full and proper implementation of the third internal market package will be the main driver of the necessary infrastructure investment and will support it. Additional measures should therefore be complementary to the means provided by this package.

b. ENTSO-E and ENTSO-G by establishing ten-year network development plans (TYNDP) have important roles to play for the development of European energy infrastructure.

c. Without prejudice to the selection of individual projects or completion of ongoing projects:

- The areas (smart grids) and corridors for electricity (offshore grid in the Northern Seas and its connections to onshore grids and storage, interconnections in South Western)Europe, connections in Central Eastern and South- Eastern Europe, BEMIP), gas (BEMIP, Southern Corridor, North-South Corridors in Central Eastern and in Western Europe) and oil (Central Eastern European pipelines), identified by the Commission Communication "Energy infrastructure priorities for 2020 and beyond", are considered as priorities;

- The Commission is invited to develop, in close cooperation with Member States and all the relevant stakeholders, a comprehensive analysis for each of these priorities, identifying obstacles to project completion, taking into account bottlenecks with cross border impacts and where appropriate suggesting action plans for their completion;
- A clear methodology for project selection, on the basis of transparent and objective criteria such as contribution to the 2020 objectives, to market integration and to security of supply should be developed in close cooperation with Member States and all the relevant stakeholders and taking into account the characteristics of national and regional electricity and gas markets. The list of priority projects should also be reviewed on a regular basis.

d. Future infrastructure and non-binding TYNDPs should be consistent, taking due account of the objectives of diversification of sources, routes and counterparts, notably the increased role of energy from renewable sources, and of supply adequacy.

e. Regional cooperation should be strengthened to deliver on the identified priorities and further contribute to the completion of the internal energy market, buildings on existing and possible future regional initiatives as well as on regional cooperation fora.

f. It should be ensured that no Member State remains isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections. Regional initiatives and identification of adequate projects should contribute to that. In this context due attention should be paid to the part of the infrastructure within Member States having a role in cross-border transmission as well as to the situation of islands.

g. The Commission is invited to present, in autumn 2011, an initiative covering the main areas of action foreseen in the "Communication on energy infrastructure priorities for 2020 and beyond". This initiative should, in particular, aim at:
   - Streamlining and improving authorisation procedures, facilitating public acceptance of investment in infrastructure and the improvement, speeding up and coordination of planning and consultation procedures, while respecting national competences of Member States and taking due account of their varying administrative practices;
   - Creating the necessary framework and incentives for delivering infrastructure projects under the identified priorities, notably with regard to cross-border allocation of costs and benefits and their reflection in tariffs. The definition of this framework should be done following a careful assessment of what can already be achieved under the existing internal market legislation, of existing mechanisms such as the inter-TSO compensation mechanism, and taking full account of investments completed previously.

h. The bulk of the important financing costs for infrastructure investments will have to be delivered by the market, with costs recovered through tariffs. It is vital to promote a regulatory framework attractive to investment. Particular attention should be given to the setting of tariffs in a transparent and non-discriminatory manner at levels consistent with financing needs and to the appropriate cost allocation for cross-border investments, enhancing competition and competitiveness and taking account of the impact on consumers. However, some projects that would be justified from a security of supply/solidarity perspective, but are unable to attract enough market-based finance, may require some limited public finance to leverage private funding. Such projects should be selected on the basis of clear and transparent criteria. The important role of cohesion/structural funds in this respect is noted, notably as regards projects with a regional or European dimension.

i. Leverage of existing means could be facilitated by making use of innovative financing mechanisms addressing in a non-discriminatory and non distorting way the varying financial risks and needs of infrastructure projects. Possible innovative financing tools would need further analysis. They would need to be flexible in order to cater for national circumstances. The Commission is invited to report by June 2011 to the Council on figures on the investments likely to be needed, on suggestion how to respond to financing requirements and on how to address possible obstacles to infrastructure investment. The identification of these obstacles would benefit from the cooperation of ENTSO-E, ENTSO-G and the Member States.

4. *Research and Innovation in Low Carbon Energy Technology*
   a. Given the importance of energy technology for fulfilling EU 2020 and 2050 climate and energy targets and for enhancing competitiveness, the implementation of the SET Plan Industrial Initiatives (EII) already launched by the end of 2010, as appropriate, should be carried out as a matter of priority and the development of the European Energy Research Area (EERA) should be encouraged.
   b. Building upon the SET-Plan activities and subject to careful scrutiny of envisaged projects and to resources availability, initiatives concerning new or cutting-edge technologies in relation with the four large-scale European projects mentioned in the Commission communication Energy 2020 (electricity storage, sustainable biofuels, smart grids, and smart cities) as well as clean vehicles, ocean and marine energy should be launched,
   c. Future EU R & D initiatives and programmes should provide a broad range of safe and sustainable technological options, for instance as regards energy efficiency, renewable energy and technologies contributing to mitigate emissions from fossil fuels such as cleaner coal, and should be to the benefit of all EU regions.
   d. The need for future infrastructure in developing energy technologies should be kept under review on a timescale consistent with demonstration and deployment and in close cooperation with all the relevant stakeholders.
   e. The importance of Research and Innovation for the future of the EU energy, climate and growth policy and the EU competitive position should be reflected in the financial commitments of the industry as well as in public funding terms and would benefit from a range of financial instruments. Research, development and deployment of safe and sustainable low carbon technologies should be prioritized in future programmes.
   f. The development and deployment of these technologies will require that the corresponding skills are available in the workforce.
   g. Deployment of new technologies should address consumer concerns, preferably at the design stage, and take place within a well defined regulatory framework.

5. *Indigenous energy sources and production*
   a. While the swift deployment of infrastructure will support the EU diversification policy due importance should be given to indigenous production, including energy from renewable sources, fossil fuels and, in countries which choose to do so, nuclear energy, within the existing regulatory framework.
   b. The legislation on energy from renewable sources should be implemented in a timely manner, making good use of the cooperation mechanisms to reach the targets foreseen under Directive 2009/28/EC and generally to support the ambitious EU policy on renewable energy.

c. While acknowledging the need for continued and consistent national support schemes for renewable energy, barriers to renewable energy should be addressed and eliminated with a view to cost-efficient deployment of renewable energy. This does not imply that national support schemes have to be harmonised. This can take place through enhanced exchange of best practice among Member States and will be facilitated by the identification of remaining barriers.

d. In order to further enhance its security of supply the EU's potential for sustainable extraction and use of conventional and unconventional (e.g. shale gas, oil shale) fossil fuel resources should be assessed, in accordance with existing legislation on environment protection. In this respect due attention should also be paid to the challenges faced by the refining sector which could lead to higher dependence on a limited number of suppliers.

e. Security of supply should not be achieved at the expense of the safety of energy supply-related activities: follow-up to the Council conclusions of 3 December 2010 on offshore oil and gas activities and completion of the regulatory framework for nuclear safety are thus expected.

6. *External energy relations*

While pursuing ongoing dialogues, partnerships and other initiatives with key partners and regions and keeping in line with respective competences of Member States and the Union, the transparency, consistency, coherence and credibility of external action in energy matters should be improved,

a. Through:

i. The realisation of an integrated EU-wide energy market and the implementation of EU legislation in the field of renewable energy, energy efficiency and energy security;

ii. Consistent and coordinated messages delivered at EU and Member State level to supplier, transit and consumer countries;

iii. Improved and timely exchange of information between the Commission and Member States including Member States information to Commission on their new and existing bilateral energy agreements with third countries;

iv. Shared assessment of risks to the EU's energy security and adequate reflection of energy security concerns in the European Neighbourhood Policy;

v. Diversification of Europe's routes and sources of supply, as well as continued efforts to facilitate the development of strategic corridors for the transport of large volumes of gas such as the Southern Corridor

vi. Strategic partnerships and comprehensive cooperation with key supplier, transit and consumer countries and regions. These partnerships should not be limited to gas/oil/electricity issues but cover other areas of common interest, such as energy security, safe and sustainable low carbon technologies, investment environment. They should also aim in particular:

- To promote energy efficiency and energy from renewable sources;
- To facilitate regulatory convergence i.a. through the implementation of EU energy market- related legislation in neighbouring countries, to promote market-based rules and develop measures as necessary to ensure a level playing field for EU power producers vis-à-vis producers outside the EEA.;
- To maintain and promote the highest nuclear safety standards and
- To underpin EU ambitions in international processes, such as climate negotiations.

vii. Enhanced coordination of Member States and Union efforts in order to better protect and promote the EU's collective energy interests and policies

b. By making full use of multilateral fora dedicated to energy or with a strong energy component, and improving coordination in these fora (IEA, IAEA, IPEEC, IRENA, Energy Charter, Energy Community, Union for the Mediterranean, Eastern Partnership, IEF, etc.) synergies between Member States and between the Union and its partners could be better exploited.

c. Reflecting the above points in one comprehensive policy document such as the expected Commission Communication on Energy security and International cooperation would further improve the consistency, transparency and coherence of the EU external action in the energy field.

II. Long term perspectives (2020-2050), review and reporting

a. The whole Strategy should be underpinned by a clear vision for an efficient, secure and sustainable energy system in 2050, progress towards 2050 proceeding step-wise, with intermediary steps adequately reflecting the large increase in the decarbonisation of energy systems to be achieved in a sustainable and cost-efficient way.

b. Orientations on the pathways to 2050 would benefit from an early release of an Energy Roadmap 2050, illustrating in a technology-neutral way, while placing due emphasis on energy efficiency, the possible future fuel-mixes in Europe and what policy measures are required to get there.

c. This Roadmap should be developed in consistency and synergy with the Roadmap towards low carbon economy by 2050, and the White paper on the Future Transport policy. Existing national roadmaps and scenarios have to be taken into account.

d. This long term perspective and the Roadmap 2050 should serve for the future identification and development of the longer term infrastructure priorities building on the "Communication on energy infrastructure priorities for 2020 and beyond" and the tools currently being developed to that end. In this context, good note is taken of the preparatory work envisaged for "electricity highways" and CO_2 infrastructure.

e. The Strategy and its instruments should include adequate and cost-efficient reporting and monitoring requirements as well as review mechanisms in order to facilitate policy adaptation and take due account of technology evolution."