



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 6 October 2008
(OR. fr)**

13827/08

**ENER 309
POLGEN 101
ENV 639
RELEX 721**

PRESIDENCY NOTE

from: Presidency
to: Delegations
Subject: Draft report to the European Council on energy security
– Presidency briefing

Delegations will find the above draft report attached.

Presidency paper**Draft report to the European Council on energy security**

The European Council noted on 1 September that *recent events illustrate the need for Europe to intensify its efforts with regard to the security of energy supplies. The European Council invites the Council, in cooperation with the Commission, to examine initiatives to be taken to this end, in particular as regards diversification of energy sources and supply routes.*

1. In March 2007, the European Council set three objectives for the European energy policy: increasing security of supply, ensuring the competitiveness of European economies and the availability of affordable energy, and promoting environmental sustainability and combating climate change. The *Energy Policy for Europe Action Plan (2007-2009)* adopted on that occasion contains many measures which contribute directly or indirectly to the energy security objective. It is essential to ensure that they are properly implemented.

As regards external aspects, the European Union must identify common messages for contacts with the major producer and transit countries, while continuing to diversify its supply sources and routes. It is important that the Union and its Member States should speak with a single voice on energy matters vis-à-vis third parties. As regards internal aspects, pro-active policies must be put in place to save energy, produce it more efficiently and move towards a unified energy area based on interdependence, in particular by improving fluidity in exchanges.

2. Various major initiatives already under way will contribute to bringing about a substantial improvement in the European Union's energy security. This is true in particular of the Community Action Plan on Energy Efficiency adopted at the end of 2006 with the aim of improving energy efficiency by 20 % by 2020. Likewise, the energy/climate change package will promote the development of low-carbon energy, which should enable the European Union to limit its consumption of fossil fuels. Accordingly, it is essential that

negotiations on that package should result in overall agreement before the end of 2008.

Completing the liberalisation of the internal gas and electricity market will contribute to establishing a unified energy area based on interdependence in Europe; with this in mind, the legislative package must be finalised before the end of the current legislative term. Lastly, implementing the European Strategic Energy Technology Plan (SET Plan) will contribute to diversification of energy sources. Furthermore, the aim to improve European energy security, while tying in with following the IPCC recommendations on the need to cut greenhouse gas emissions by 80 % by 2050, should encourage the Member States to determine, collectively, ambitious objectives for the generation of carbon-free electricity by 2050.

3. It is now necessary to speed up implementation of the strand of the March 2007 Action Plan directly devoted to "security of supply". That is why the March 2008 European Council stated that the second *Strategic Energy Review*, which the Commission will issue in November, would "*focus in particular on security of supply, including regarding interconnectors, and external energy policy*". The Spring 2009 European Council will assess the implementation of the *Energy Policy for Europe* Action Plan and will adopt the necessary measures in the field of energy security with a view to adoption of the Action Plan in 2010.

In both the short and long term, improving energy security in the European Union and its Member States requires a dual effort in terms of responsibility and solidarity. Responsibility, because each Member State, which is primarily responsible for its security of supply, must not only take all measures required at national level to guard against the risk of a supply disruption but also be prepared to contribute to any solidarity measures. Solidarity, insofar as any Member State which is confronted with a sudden and temporary disruption in its energy supply must be able to rely on the support of the other Member States and the Union. It is only on this condition that solidarity mechanisms can be put in place at European level.

4. To improve Europe's energy security and solidarity as of now, this document sets out practical measures which should be implemented very quickly. They involve energy efficiency, transparency concerning supply and demand, solidarity instruments, infrastructure, and the identification of common messages for our external action. It should be possible to initiate a number of these measures in the context of the proposals the Commission will submit in November at the same time as the second Strategic Energy Review.

Energy efficiency

5. Improving energy efficiency is the top priority. It is one of the most effective means of increasing energy security; it is the cornerstone of our ambitious policy to combat global warming, while enhancing business competitiveness and reducing the consumer energy bill. In 2006, the European Union set itself the aim of improving energy efficiency by 20 % by 2020 and adopted an Action Plan which should eventually save more than 250 million tonnes of oil equivalent and reduce emissions by 780 million tonnes of CO₂ per year.

That Action Plan must be implemented with determination, in particular in the building and transport sectors. To that end, the European Union should draw on the best practices report produced by the International Energy Agency at the request of the G8. The 25 recommendations set out in that report can be taken into account when drawing up the various measures which remain to be taken at Community and national level.

- *Demanding specifications will have to be adopted by the end of this year for several categories of electrical appliances, and in particular domestic lighting. Specifications should be drawn up for over 20 categories of product over the next three years. The revised Directives on the eco-design of products and energy labelling should be adopted before the end of 2009, with consistent scopes so as to increase synergy between the two sets of rules and their efficiency.*

- *In November, the Commission is to submit a revised Directive on the energy performance of buildings which will set more ambitious goals, in particular as regards new buildings. That Directive should also be adopted before the end of 2009.*
- *Implementation by the Member States of the Directive on energy end-use efficiency will have to be improved; the Commission and Council are asked to investigate without delay measures to make national plans more operational and coherent.*
- *The European Union's financial instruments must be used to promote energy efficiency. The EIB and the Commission in particular are invited to cooperate closely in this area, including through the establishment of a joint instrument designed to increase the leverage effect of EIB loans through the mobilisation of Community funding.*

Diversity of energy sources

6. Diversity of energy sources, together with a well-interconnected network, makes an essential contribution to energy security, not only because it prevents the European Union's level of dependence from increasing, but also and mainly because it ensures greater elasticity or reactivity in the event of supply disruption or network incidents. Beyond its usefulness in combating global warming, non-fossil energy plays an important role in this respect. Similarly, technologies enabling sustainable use of the fossil resources available in Europe should be developed. The Energy Policy for Europe will fully respect each Member State's choice of energy mix.

- *The practical measures required to achieve the objective of 20 % of renewable energy at European level set in the energy/climate change package will have to contribute to increasing the energy security of Europe.*

- *Implementation of the European Strategic Energy Technology Plan (SET Plan) should be speeded up: committed action by the Member States and industrialists will be needed if the various industrial initiatives provided for in the plan are to become operational within a short time. The Commission is invited to present its communication on the financing of low-carbon technologies quickly so that all the instruments which could encourage investment in those technologies can be identified.*

- *Carbon capture and sequestration represent a major technological challenge for the sustainable use of the European Union's fossil fuels and for its energy security: the Directive which is to set a legal framework for the development of such technologies is one of the key elements of the energy/climate package and will have to be adopted and implemented by the Member States as soon as possible. The Council and the Commission are invited to identify the financing, in addition to private sector investment, which will be necessary for the 12 demonstrations to be put in place in 2015.*

- *Each Member State is free to choose whether or not to use nuclear energy, which today accounts for one third of electricity production in Europe. That proportion can be maintained only if investments are made over the next few years by the Member States concerned. The Illustrative Nuclear Programme to be updated shortly will make a significant contribution here. Nuclear power stations will have to be run under optimum conditions of safety and sound waste management. In that connection, the Commission is invited to present a European framework for nuclear safety and the management of waste and spent fuel without delay, taking account of the proceedings of the High-Level Group. The European Nuclear Energy Forum can contribute to a thorough discussion of the issues surrounding nuclear energy.*

Transparency concerning energy supply and demand

7. In order to promote investment and develop joint interdependent action on energy security, it is essential to share information on short and long-term needs and resources.
8. Transparency in relation to oil and gas stocks must be improved: as regards commercial oil stocks, it is essential for Europe to make a full contribution to the proper functioning of the oil market, aligning its practice with regard to transparency on that of the United States and Japan.
 - *The Commission has stated that in mid-November it will propose legislative measures to facilitate weekly publication of commercial oil stocks. Between now and the end of the year, the Commission is invited to ask industrialists to take steps to implement those rules ahead of time by taking the initiative of voluntarily publishing European commercial stocks each week.*
 - *The Commission is also invited to bring forward practical proposals to improve transparency regarding gas flows, demand and stock levels.*
9. The third liberalisation package for the internal market in gas and electricity lays down various measures which will make a direct contribution to improving transparency in the long term at national, regional and Community level.
 - *Those measures should be implemented swiftly at the various levels, without having to wait for transposition and full implementation of the legislative texts.*

10. In addition to those measures, it is necessary to establish a shared vision of the energy future in order to analyse the short and medium-term risks and to assess the investments to be made in Europe. The Commission already provides detailed information on Member States' production and consumption and should establish a forward estimate for oil, gas and electricity on the basis of the data for each country. If that information is to be of good quality, the dialogue between the public sector and the private sector will need to intensify.

- *The Commission is invited to submit an initial vision report on energy needs and supply, using the forward estimates produced for each Member State.*
- *Before the end of the year, the Commission is requested to propose arrangements for organising a European forum bringing together the public sector and the private sector in the first half of 2009 to discuss supply and demand prospects and infrastructure projections.*

Solidarity arrangements

11. There is already legislation on oil stocks. Member States which are members of the IEA are subject to a mechanism similar to, but not entirely consistent with, the one applied in the Union. Both mechanisms operate well but they should be made more consistent.

- *The Commission is invited to propose the necessary adjustments in November to improve consistency between the Community legislation applicable to oil stocks and the IEA mechanism.*

12. The legislation on the security of gas supplies comprises essentially voluntary measures on such matters as storage and cross-border cooperation. In order to combine solidarity and responsibility, it would be useful to put a mechanism in place whereby each Member State would lay down security margins enabling it, in an emergency, to free up a certain percentage of its peak consumption, whether by drawing on stocks, increasing production or imports, or reducing consumption. It would be for each Member State to define the technical arrangements for meeting such a commitment. In the event of a supply crisis in one or more Member States, that mechanism would be implemented in a Community context with due regard for the usual market principles and procedures.

- *The Commission is invited to make practical suggestions in November for the establishment of a solidarity mechanism based on each Member State's capacity to free up security margins, for adoption in 2009.*

- *The Commission should also engage with the Member States in an overall review of the structural or technical measures which would increase gas supply security.*

Infrastructures

13. A European energy security and solidarity policy requires adequate networks and infrastructures. It is one of the major issues in the third gas and electricity liberalisation package, which provides, inter alia, for the preparation of a European transport network development plan and the introduction of technical codes for the harmonisation of network management rules in the European Union, as well as provisions to promote energy cooperation between Member States.

14. Certain interconnection projects have been identified as priorities; a European coordinator has been appointed for four of them. Progress is uneven, and probably too slow overall. It is essential to verify whether that list of priority projects is up to date, or needs to be re-examined. Particular attention should be paid to the critical situation of Member States which have no electricity or gas connection to the rest of the Union, such as the islands and the Baltic countries. The Commission could also examine the case for appointing new coordinators to improve interconnections in the eastern part of the Union.

- *The Commission is invited to put forward in November guidelines for updating and strengthening the trans-European energy transport networks.*

- *On the basis of an evaluation of current projects, the Commission is invited to submit a report identifying interconnection problems, proposing remedial action and establishing a working schedule with a view to holding initial discussions before the end of the year and adopting conclusions at the Spring 2009 European Council. Particular consideration should be given in that report to the interface of European networks with supply infrastructure, taking account of the need to diversify both sources and routes.*

- *Specific measures should be proposed in particular with a view to:*
 - *improving the interconnection between the Baltic States and their European neighbours;*
 - *advancing the creation of the Mediterranean electricity and gas ring;*
 - *upgrading electrical and gas connections between central Europe and south-eastern Europe, with the support in particular of the Energy Community;*
 - *stepping up the work necessary to create the southern gas corridor, particularly as regards the provision of the necessary volumes of gas and transit conditions.*

➤ *A conference on interconnections could be organised in the first half of 2009 to facilitate a wide-ranging exchange of views between public and private decision-makers on the basis of the Commission report.*

15. As regards gas, the use of liquefied natural gas (LNG) offers an additional means of diversification and flexibility, provided of course that Europe has a sufficient number of methane terminals and the means to enable the European market as a whole to benefit from these extra security margins. However, the current situation as regards infrastructure is unsatisfactory, particularly in the north of Europe. That issue should also be examined closely.

➤ *The Commission is invited to submit, in the first half of 2009, a European action plan on LNG, which would enable the role of LNG in energy security to be highlighted and shortcomings to be identified.*

16. The implementation of infrastructure projects is basically dependent on private initiative and finance, with the result that projects must be sufficiently profitable. All means of financing such infrastructure, including through long-term contracts or Community financing, must therefore be evaluated. The regulatory framework also plays an essential role in the investment decisions of private players; the third gas and electricity liberalisation package thus includes energy security amongst the general objectives which govern the way in which national regulators exercise their competences.

➤ *The Commission and the EIB are invited to submit an assessment of Community financing possibilities and the way in which to apply them to priority projects in terms of energy security; in particular, the working party set up by the Commission and the EIB, in conjunction with European institutional investors, should put forward concrete proposals by the beginning of December, so as to mobilise more effectively around the EIB the long-term investment capacities of institutional investors.*

➤ *Energy market regulators, which ensure that markets operate competitively, must also take account of security of supply aspects and facilitate the necessary investments.*

17. The development of interconnections also depends on the acceptance of major infrastructure projects by citizens, who must therefore be well-informed as to the importance of transnational networks. Progress remains to be made in this area.

➤ *In the context of the public inquiries to be conducted for each project, European citizens should, from 2009, receive information on electricity and gas interconnection needs, which are essential to their security.*

External aspect

18. *The Energy Policy for Europe Action Plan* established the guidelines underpinning the European Union's external action priorities, on the one hand by extending the principles of the gas and electricity internal market to neighbouring countries and, on the other, by developing a balanced and constructive dialogue with all partners in the field of energy. In the second strategic energy review, the Commission will evaluate, region by region, the progress achieved since the adoption of the plan, in the framework of that dialogue and cooperation.

➤ *On the basis of its assessment of the progress achieved, the Commission should identify, before the end of the year, those countries where the EU's efforts should continue or be focused, particularly in terms of geographical diversification of energy sources and supply routes.*

19. In the context of dialogue and cooperation with third countries, the development of mutual knowledge of available resources, investment plans and the evolution of demand is essential to the long-term security of the European Union.

- *A high-level meeting with countries from the Caspian region and transit countries is envisaged for Spring 2009.*
- *This dimension should be explored systematically, not only with our main suppliers but also with the other major consumer countries.*

20. Improving energy efficiency worldwide constitutes in the long term the most important means of ensuring energy security for the European Union, by contributing to balanced and careful management of resources. The new international partnership for cooperation in terms of energy efficiency (IPEEC), which was launched in June 2008 in the framework of the expanded G8, should play a key role to that end.

- *The secretariat of the international partnership for cooperation in terms of energy efficiency should be established without delay, and the largest possible number of countries should be called on to join this initiative.*

21. The Barcelona process: Union for the Mediterranean includes major projects in the field of energy such as the Mediterranean solar plan and the reinforcement of electrical interconnections. The Union for the Mediterranean will work on the implementation of projects by ensuring complementarity between European policies and the initiatives implemented by the energy players of the southern Mediterranean.

- *In order to facilitate the emergence of a legal framework favouring the development of shared projects, the Mediterranean countries should be invited to sign the declaration on the Energy Charter on the occasion of the ministerial meeting of the Energy Charter Conference (in November).*

