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INFORMATION NOTE

From: General Secretariat of the Council

To: Council

Subject: Any other business

Recent developments in the field of external energy relations

- Information from the Commission

Delegations will find in Annex an information note from the Commission relating to the item "Recent developments in the field of external energy relations" on the agenda of the TTE (Energy) Council on 2 December 2021.

Background note

This note aims to inform delegations on the recent developments in the field of external energy relations which is listed at the agenda of the TTE-Energy Council on 2 December 2021 under any other business.

Introduction

EU's external energy engagement has continued to closely follow the objectives of the European Green Deal and of the Council Conclusions of 25 January 2021 on energy and climate diplomacy. The climate-energy nexus and the whole economy approach for green growth continue to drive the EU's external energy engagement. In the context of recovery from the COVID-19 crisis, EU's external energy actions have continued to put the emphasis on the fundamental role the energy sector plays in pursuing a green sustainable recovery on the path to achieving decarbonised, modern and resilient energy systems.

Further to the call of EU's Foreign Ministers¹, the European Commission is preparing a new strategy on international energy engagement. Adoption is foreseen in Q1 2022. In order to ensure an inclusive process, discussions with key stakeholders, including the industry, think tanks, research and academia as well as selected international organisations are ongoing. EU Member States discussed the structure and preliminary ideas of the strategy during the 18th meeting of the Strategic Group for international energy cooperation on 10 November. Building on the European Green Deal, the strategy on international energy engagement would show how the EU's international cooperation in the energy field contributes to achieving EU energy objectives, notably on decarbonisation and sustainable and cleaner security of supply while ensuring reliable and affordable energy access.

This note gives an overview of key multilateral and bilateral engagements that the European Commission pursued in order to reach these goals together with EU Members States as Team Europe.

¹ Conclusions on Climate and Energy Diplomacy - Delivering on the external dimension of the European Green Deal of 25 January 2021

Multilateral engagement

COP26

The EU's main political objectives for Glasgow included raising global ambition as it relates to cutting emissions, enhancing resilience and scaling up climate finance. Prior to the COP26, the EU has been working intensively aiming to secure higher ambition in all fronts. We have been collaborating closely throughout 2021 at technical and political level in multilateral fora (G7, G20, OECD, etc.) and at bilateral level through our energy dialogues and cooperation. We also participated along other donor countries in the Energy Transition Council dialogues initiated by COP26 presidency with focus countries in Africa and Asia for more ambition.

The launch of the Global Methane Pledge at the World leaders' summit on 2 November by President von der Leyen and President Biden was a success for the EU's energy and climate diplomacy. Initiated by the EU and US, more than 100 countries signed on the Pledge to reach a global 30-per cent reduction of methane emissions from 2020 levels by 2030. In addition, global philanthropies have committed \$ 328 million in funding to assist the implementation of the Pledge.

In addition to the negotiations, the European Commission endorsed on behalf of the EU a number of statements and initiatives supporting the global energy transition efforts: the Glasgow Breakthrough agenda, the COP26 coal to clean power statement, the declaration on support for just transition internationally and the Just Energy Transition partnership with South Africa. At COP26 EU Energy Day, on 5 November, Commissioner Simson also announced the European Commission's support to South Africa just energy transition and to a project focusing on supporting a just transition away from coal in South East Asia, Latin America and Africa in particular by externalising the experience of the EU coal regions in transition initiative.

The World Leaders Summit on 2 November adopted Leaders' Statement on the Breakthrough Agenda to bring the attention on the progress of clean energy transition, by setting global goals for key sectors by 2030. The European Commission, on behalf of the EU, endorsed the document as a non-binding instrument, including the four annexes on the key sectors (power, road transport, hydrogen and steel). The document recalls the ambition already announced by various private/public platforms and organisations of international cooperation, including Clean Energy Ministerial and Mission Innovation, to set out the urgent action needed in this decade to accelerate clean energy development and deployment. The progress will be discussed in future relevant annual leader level fora. To support this, an annual report, led by the IEA and the UN High Level Climate Action Champions, will inform ministers on the global-level progress.

On 4 November, Commissioner Simson hosted a Ministerial-level joint Steering Committee meeting of the Clean Energy Ministerial and Mission Innovation. The meeting provided an opportunity for Ministers to discuss how to make international collaboration on energy technology development and deployment more impactful. The next Clean Energy Ministerial and Mission Innovation Ministerial meeting will take place in Pittsburgh, US, in September 2022.

UN High Level Dialogue on energy (HLDE)

The UN HLDE, held in September 2021, was the first UN gathering on energy since 1981. It aimed to accelerate achievement of Sustainable Development Goal 7 in support of the Decade of Action ahead of the Climate COP26. The main outcomes include a global roadmap to achieve universal global access by 2030 and net zero emissions by 2050, taking into account the COVID-19 pandemic as well as a series of Energy Compacts that present multi-stakeholder partnerships and voluntary commitments from Member States and non-state actors.

In line with the Team Europe approach, the EU put forward three such Energy Compacts, to be implemented as of 2022:

- Green Hydrogen Compact Catalogue, with Denmark, Germany, International Renewable Energy Agency (IRENA) and other partners;
- Development of national zero-emission energy roadmaps by 2050, with the International Energy Agency (IEA);
- Development of Regional Energy Transition Outlooks in Europe, Africa as well as Latin America and Caribbean, with IRENA.

Energy Community

Work on aligning the Energy Community with the European Green Deal has continued. The Commission has proposed for adoption by the Ministerial Council on 30 November 2021 a Decarbonisation Roadmap which constitutes a political commitment of the Contracting Parties to decarbonisation in line with the development of the EU's energy and climate acquis. It has also proposed a set of key legal acts on 2030 climate and energy framework (Directive on renewable energy, Directive on energy efficiency and Regulation on the Governance of the Energy Union and Climate Action). At this point, these legal acts will include all provisions except the targets, given that a modelling study is still ongoing with the view to provide the analytical ground for setting the 2030 targets at the beginning of 2022. The Commission will propose targets for Ministerial Council adoption in 2022. In the meantime, Contracting Parties would start implementing the EU law and demonstrate their commitment to these policy goals.

The negotiations on the Energy Community Treaty amendments will not be finalised at the Ministerial Council on 30 November 2021 in Belgrade due to the need of unanimity, despite the tremendous efforts of the Commission to find reasonable compromise solutions with the nine non – EU Contracting Parties of the Energy Community. In particular, Serbia did not change their blocking position on all key issues of the Treaty reform (reciprocity, financial penalties, denomination of Kosovo*, State aid and competition). Kosovo* raised the issue of denomination (“Republic of Kosovo” in the Treaty instead of “UNMIK”) – supported by Albania but unacceptable for Serbia. In the recent months, the political situation in part of the Western Balkans has become increasingly challenging. The Commission therefore envisages to focus on alternative solutions within the framework of the current Energy Community Treaty in order to achieve progress in the integration of electricity markets.

At the time of drafting this note, the Commission had made a proposal for the next Director of the Energy Community Secretariat, which achieved full support from the Council. The appointment is scheduled to take place at the Ministerial Council on 30 November and the Commission is actively engaging with the nine non-EU Contracting Parties in order to secure broad support for its proposal.

Energy Charter Treaty (ECT)

The EU remains strongly committed to achieving the two key objectives of the Energy Charter Treaty modernisation process, which is ongoing: 1) to align the Treaty with the Paris Agreement; and 2) to bring the investment provisions of the ECT in line with the latest international standards for investment protection and investment dispute settlement.

This year, five negotiation rounds took place (including the one on 9-12 November), and one more round is planned for 13 December 2021.

The EU proposal for the definition of “economic activity in the energy sector” is central to the success of the negotiations and aims at aligning the ECT with the Paris Agreement. Following the discussion during several rounds, the proposed EU amendments to the Treaty related to fossil fuels investment protections did not gather sufficient support of the Contracting Parties, a number of which have called for a flexible application of the phase-out of ECT investment protection of fossil fuels. To facilitate progress in discussions, the ECT Secretariat tabled a counterproposal consisting of three options seeking to address the need for such flexibility. The options are currently being assessed and will be discussed with EU Member States and ECT Contracting Parties in advance of the next negotiating round on 13 December 2021.

Finally, the process of the appointment of the next Secretary General of the Energy Charter Secretariat is ongoing and the EU counts on the constructive engagement and cooperation of Contracting Parties and Signatories.

International Renewable Energy Agency (IRENA)

Since July 2021, the European Commission co-facilitated two discussions of the IRENA collaborative framework on green hydrogen and organised a joint workshop on hydrogen certification with the Maghreb region. Further to the launch of the EC-IRENA UN Energy Compact on regional energy transitions and a joint EU-IRENA session on offshore renewables and green hydrogen at COP26, the European Commission also joined a Working Team within IRENA that discusses topics of high relevance for the future of the Agency with a view to shaping the next Medium Term Strategy (2023-2027).

Bilateral relations

USA

Cooperation with the USA has been intensifying. At the EU-US Summit in July, both sides agreed to accelerate a climate-neutral future and ensure a just transition that leaves no one behind, including among others through low greenhouse gas emission technologies, an increasing uptake of renewable energies, a stronger engagement to promote clean energy innovation, increased energy efficiency and methane emissions reduction. Both sides will also continue to lead coordination on strategic energy issues, including decarbonisation of the energy sector, energy security, and sustainable energy supply chains.

The EU-US Energy Council continues to be the lead coordination forum on these strategic energy issues, including decarbonisation of the energy sector, energy security, and sustainable energy supply chains. The US will host the next EU-US Energy Council. While dates are not yet set up, work continues under the assumption that it will take place in Q1 2022. A B2B event is planned to take place back-to-back with the EU-US Energy Council.

In October 2021, the EU-US Energy Council Working Group for Energy Security met in Washington. The discussions focused largely on Ukraine and the Western Balkans. The group addressed issues of common concern, with an overall convergence of views on key topics. As regards Ukraine, the European side referred to issues such as corporate governance; reforms of the electricity and gas markets; renewable energy and decarbonisation; more recently, joint monitoring of the gas transit situation. As regards Western Balkans, it noted a broad common agreement on the need for decarbonisation; promotion of coal phase-out; new energy infrastructure, including the role of natural gas; regional cooperation and energy integration. The EU-US Energy Council Energy Policy Working Group is planned to take place in January 2022, with the focus on four topics currently under technical discussions: reduction of methane emissions in hydrocarbon industries; creating conditions for an international hydrogen economy; advancing offshore renewable energy development; and cooperating on just transition and coal phase-out policies. As for the Working Group on Energy Technology, the leading EU and US services are still discussing their work plan.

Ukraine

With the endorsement of the Annual Work Programme 2021 at the EU-Ukraine Energy Ministerial of 10 December 2020, the sectorial cooperation intensified in the course of 2021, under the MoU on strategic energy partnership and the Association Agreement (and its Annex XXVII on progressive approximation of Ukraine energy legislation to the EU acquis). Following the meeting between Commissioner Simson and the new Energy Minister Galushchenko on 1 June, a High-Level Working Group on electricity and gas markets was set up to support delivery of market reforms to pave the way for synchronisation to the European grid and energy market integration to the EU. The kick-off meeting took place on 27 October and will be followed by a technical-experts level meeting.

Concerns relating to Ukraine, security of gas supply became very topical again in the second part of the year – they were discussed at the EU-Ukraine Summit of 12 October. Concrete follow up within ongoing work-streams will include an update of risk assessment by the Joint Research Centre; involvement of Ukrainian experts to regional Member States risk group; and exploring operational ways to facilitate physical gas reverse flows West to East (focusing on Slovakia).

Moldova

The halt of negotiations between Moldova and Gazprom on the renewal of the gas supply contracts that expired at the end of September led to a gas supply crisis and a state of emergency. The European side has actively engaged with the Moldovan administration to assist in the negotiations and mobilise funding. On 29 October, after weeks of negotiations, Moldovan authorities agreed with Gazprom to extend the existing contract for another 5 years, subject to the conclusion in 2022 of an intergovernmental agreement between Russia and Moldova, associated with conditions such as the delay of unbundling and settlement of outstanding (and partially disputed) debts. Close monitoring of the situation continues to be required, given that the country is now faced with many challenges as a result of the gas protocol signed with Gazprom that includes political and regulatory conditionalities attached to gas supplies.

During the Association Council, the European Commission announced the organisation of a high-level energy dialogue to send a signal that political instrumentalisation of gas supply in the EU's direct neighbourhood is not acceptable. The EU will continue to support Moldova politically, technically and financially, including vulnerable sections of the population.

African Union

The African Union (AU), with the participation of Commissioner Simson, launched in June 2021 the African Single Electricity Market (AfSEM) – a continent-wide electricity market which will become one of the largest electricity markets in the world covering all 55 AU Member States to serve a population of about 1.3 billion people. The AU Commission, with the support of the EU, developed a Policy Paper, Roadmap and the Governing Structure for the Africa Single Electricity Market. The market will be implemented progressively starting as early as 2023, with full operationalisation foreseen to be achieved by 2040. The EU is currently supporting the AU Development Agency (AUDA-NEPAD) in the development of a Continental Power System Masterplan

Throughout 2021, the European Commission has been developing multiannual indicative programmes under the Neighbourhood, Development and International cooperation Instrument – Global Europe (NDICI-Global Europe) under the budget 2021-2027. Energy remains a focal sector in over 20 African countries. Action at country level and at regional and continental level will build on the Africa-EU Green Energy Initiative to be launched at the EU-AU summit in February 2022. Engagement with South Africa is progressing on various topics related to the countries energy transition on topics such as renewable hydrogen, electricity market regulations and just transition. The Just Energy Transition Partnership endorsed at COP26 will lead to strong engagement of the EU on the just transition of coal regions. The South African parliament finally ratified the EURATOM treaty signed in 2013. This will lead to further engagement on nuclear safety in 2022.

Morocco

A high-level event took place on 28 June to present and discuss the EU – Morocco Green Partnership, with the presence of 3 Moroccan Ministers (Minister of Foreign Affairs, Minister of Finance and Minister of Energy), and 3 EU Commissioners (Executive Vice-President Timmermans, Várhelyi and Sinkevičius). The European Commission's services have then prepared a draft Green Partnership Memorandum of Understanding, which is now undergoing the "Non legally binding – NBI" adoption procedure, with a view to having it signed early in 2022.

On 4 November Commissioner Simson met the newly appointed Minister for Energy Benali at COP26. The Minister emphasized two priorities for Morocco, electricity market reform and gas supplies, the Commissioner proposed cooperation on electricity market reform and hydrogen and agreed to continue more detailed discussions at technical level.

Algeria

The EU – Algeria strategic dialogue on energy was resumed after a two year pause due to the situation of political instability in the country. Three meetings of the European Commission services with representatives of the Algerian authorities took place since June 2021, discussing gas, including methane emissions, hydrogen and renewable energy.

India

The implementation of the EU-India Clean Energy and Climate Partnership continued through technical-level activities and workshops on renewable energy, energy efficiency, smart grids and electricity market reform and regulation. The European Commission's Executive Vice-President Timmermans visited India ahead of COP26, on 20 to 22 October, where he also met the Minister of Power and New and Renewable Energy and the Minister of Petroleum and Natural Gas. They agreed to further strengthen clean energy cooperation and to include joint activities on green hydrogen and on just transition in the new work programme of the EU-India Clean Energy and Climate Partnership. This new work programme should be adopted at a meeting of the EU-India Energy Panel in December 2021.

Japan

Reinforced energy cooperation continued in the frame of the EU-Japan Green Alliance. An energy dialogue meeting at Director's level was held on 5 July 2021. In the frame of this strengthened cooperation, both sides jointly organised workshops on hydrogen and on offshore wind energy in September and October 2021.