



Brussels, 23 November 2004

## ***Draft***

### **BACKGROUND <sup>1</sup>**

#### ***TRANSPORT, TELECOMMUNICATIONS AND ENERGY COUNCIL***

*(Only energy)*

**Brussels, 29 November 2004**

*The Council session under the chair of Mr. Laurens Jan BRINKHORST, Dutch Minister for Economic Affairs will start on Monday 29 November at 10 o'clock.*

*The Council is due to agree on a general approach on measures to safeguard **security of electricity supply and infrastructure investment**.*

*The Council is expected to adopt conclusions on **renewable energies** in the European Union.*

*A political debate will be held by the Council on the **energy end-use efficiency and energy services** proposal.*

*Under other business, the Council will be informed by the Commission on the state of play concerning **EU- Russia energy dialogue** and negotiations on **future integrated energy market in South-East Europe**.*

*The Presidency will hold a press conference at 15.00.*

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<sup>1</sup> This note has been drawn up under the sole responsibility of the Press Service.

## ➤ **SECURITY OF ELECTRICITY SUPPLY**

The Council is expected to agree on a general approach on a proposal for a Directive on measures to safeguard security of electricity supply and infrastructure investment.

The Commission proposal aims at ensuring security of electricity supply by defining the roles and responsibilities of Transmission System Operators (TSOs) and suppliers, setting and ensuring network performance standards for TSOs and Distribution System Operators (DSOs), balancing supply and demand, facilitating transmission and distribution network investment taking into account increased access for renewable electricity, prioritising demand side management (DSM) as well as generation/network investment, and facilitating interconnector construction and the better co-ordination of investment strategies.

There is broad agreement on the text as it stands now. However, the Commission maintains its reservation on the changes introduced concerning its coordinating role and its consultation with national regulatory authorities as regards decisions on investments in interconnection.

The original Commission's proposal has been modified as follows:

- As regards the establishment of a high level of security of electricity supply, the Presidency compromise text tries to find a balance between binding criteria<sup>2</sup> and optional ones; in this perspective, it does not add any new obligations to already existing Community legislation or to other provisions provided for in the proposed text.
- Concerning provisions on a operational network security and the need of maintaining a balance between demand and supply, it has been clarified that the four main components of security of electricity supply are taken into account in the following way:

*1)* The text provides for the operational rules and obligations in order to ensure the necessary transmission margins in the network; in this context, it is understood that there is no need for Member States to adopt new rules if the requirements of this Article are already fulfilled through existing national rules.

*2)* A specific provision establishes the requirements for the daily management of the systems.

*3)* the necessity of momentary generation reserve capacities is reflected in the second indent of Article 5(1).

*4)* The text also reflects the need for other reserve capacities.

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<sup>2</sup> Among these binding criteria, they are mentioned, *inter alia*: a) the importance of ensuring continuity of electricity supplies; b) the importance of a transparent and stable regulation framework; c) the internal market and the possibilities for cross-border co-operation in relation to security of electricity supply or d) the need for regular maintenance and, where necessary, renewal of the transmission and distribution networks to maintain the performance of the network.

- The provisions on transmission and distribution network investment have been simplified by deleting the prioritisation of demand side management measures when investment decisions are taken and removing certain conditions for investment decisions such as the need to take into account the increased possibilities for connecting renewable electricity.
- The role of the regulatory authorities and the Commission regarding investments for interconnection construction has been reduced, by removing the most interventionist elements, and the reporting requirements imposed on TSOs have been simplified.

Legal basis: Article 95 of the Treaty (qualified majority required within the Council and codecision with the European Parliament).

➤ ***RENEWABLE ENERGY***

The Council will adopt conclusions on the Commission's Communication "The share of renewable energy in the European Union" which was used as an input to the input to the International Conference for renewable energies Bonn 2004 and on the outcome of this Conference.

This Communication assesses the state of development of renewable energy in the European Union. It serves three purposes:

- The formal report that the Commission is required to make under Article 3 of Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources, evaluating the progress made by the EU15 towards achieving national targets for 2010 for **electricity from renewable energy sources**;
- Assessment of the prospects for achieving the target of a 12% share of renewable energy in **overall energy consumption** in the EU15 in 2010 (including heating, electricity and transport), taking into account EU legislation since 2000 and other measures in renewable energy and energy efficiency;
- Proposals for **concrete actions** at national and Community level to ensure the achievement of EU renewable energy targets for 2010, in the context of the Bonn World Renewable Energy Conference (June 2004) and, building on this, the line to take on the scenario for 2020.

At this stage, all delegations have agreed on the text of the draft conclusions that will be submitted to the Council. The text as it stands now, underlines the following:

- With a view to contributing to a well-functioning market, Member States should pay more attention to various pre-conditions, such as reducing planning and licensing red tape, facilitating grid access, the set-up of the technical system, preserving network stability notably in case of large injection of intermittent renewable electricity, providing sufficient network capacity and cross-border interconnection, and to the provision of guarantee of origin. It requires also appropriate policy framework conditions and incentives for targeted and efficient support to contribute to the security of investment.

- The Council draft conclusions invites the Commission, in collaboration with the Member States, to carry out an assessment of both the potential and the barriers for developing heating and cooling from renewable sources.
- As regards Commission's intention of preparing a European Biomass Action Plan, Member States welcome this initiative taking into account the potential of biomass as a renewable energy source especially if combined with the promotion of relevant technologies. This plan should be based on scientific data and commercial experiences. The plan should deal with the use of biomass in the three areas electricity, heating/cooling and transport, taking into account potential conflicts and synergies that may arise from the use of biomass for different purposes.
- As regards the EU-targets on renewable energy, it is recognised the need of exploring the possibilities offered by several energy sources with high potential such as wind offshore energy in order to meet those targets. For doing so, Member States consider necessary to enhance co-operation and planning between European network operators, the competent authorities and, where appropriate, the European Commission notably on electricity grid integration issues as well as joint R&D efforts focussing on further cost reductions of supporting technologies and for an improved exchange of information on the environmental implications of these technologies.

➤ ***ENERGY EFFICIENCY***

The Council will hold a policy debate on a Proposal for a Directive on energy end-use efficiency and energy services (demand side management).

This Commission's proposal aims at enhancing the cost-effective and efficient end-use of energy in the Member States by:

- providing the necessary targets, mechanisms, incentives and institutional, financial and legal frameworks to remove existing market barriers and imperfections for the efficient end use of energy;
- developing a market for energy services and for the delivery of energy efficiency programmes and other energy efficiency measures to end users.

Since the adoption in December 2003 of this proposal by the Commission, it has been examined by the internal bodies of the Council. At this stage of the procedure, the Presidency found useful to organise a political debate in order to obtain some political guidance from the Council for further work.

Consequently, the Presidency has put forward a questionnaire focussing on the following issues:

- *Targets for energy savings*: the Presidency would like Ministers to give their views on how targets must be defined and the degree of Member States flexibility to facilitate the achievement of these targets. Other question regards the role of the public sector, in particular if delegations agree on introducing a specific reference value for the public sector, based on their national targets

- Promotion of energy end-use efficiency and energy services: in broad terms, the Presidency is willing to hear from Ministers if they consider that the development of a market for energy services and the imposition of energy audits on companies are necessary for the realisation of energy savings, it being understood that such services may be offered by a range of different companies. A different approach would consist on leaving the the freedom to choose, from a greater variety of options, those which are the most convenient under given national circumstances.
  - Methodology for measuring and verifying energy savings: While the need for a harmonised method of calculation was stressed by delegations at the Working Party, in particular if target setting will be the final option, it was also underlined that the collection of reliable data on the achievements made should not be too burdensome. In this context, Ministers will consider the appropriateness and reliability of the system for the measurement of energy savings as proposed by the Presidency, i.e. the possibility to use a top-down model or a combination of top-down and bottom-up models or energy efficiency indicators.
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