Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 21 June 2017

Transport, Telecommunications and Energy Council (Energy issues) Luxembourg, 26 June 2017

The Council meeting will begin at 10.00, chaired by the Maltese minister for Energy and Water Management, Mr Joe Mizzi . The Commission will be represented by Vice-President Maroš Šefčovič and Commissioner Miguel Arias Cañete.

The Council will adopt, without debate, a regulation on **energy efficiency labelling,** which helps customers to be more aware of the energy efficiency and energy consumption of household appliances thus contributing to reduce their energy costs and the achievement of the Union's 2020 and 2030 energy efficiency targets**.**

The Council is expected to reach a general approach on a proposal for a revised directive on **energy performance of buildings** and will work towards a Council position on the **energy efficiency** directive**.** Both are priorities of the Maltese presidency and constitute an important step towards reaching the European Union 2030 energy and climate goals.

The Council will take note of a progress report on the legislative files under the Clean Energy package regarding in particular the **internal market for electricity, governance** and **energy from renewable sources.**

Ministers will also exchange views on the state of play concerning **interconnections**.

The Council will be informed by the Commission on recent developments in the field of **external energy relations,** including on the recent Commission request for a negotiating mandate on an agreement between the EU and the Russian Federation on the Nord Stream 2 pipeline.

Press conference: at the end of the meeting (+/-17.00)

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[1] This note has been drawn up under the responsibility of the Press Office.

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Energy efficiency

The Council will seek to reach a general approach on a proposal for a revised directive on energy efficiency. The main objective of the proposed directive is to improve the existing provisions and to increase energy efficiency in order to ensure that the European Union's 2020 headline targets and 2030 climate and energy goals are met .

The Commission proposal upgrades to 30% the indicative 27 % EU energy efficiency target set out in the European Council conclusions of October 2014 and extends the annual energy savings obligation of 1.5% until 2030, counting as eligible savings only new policy measures and new actions post-2020.

Alternative measures are recognised as equivalent to energy efficiency obligation schemes, and the obligation of taking into account energy poverty is introduced. Metering and billing provisions for the benefit of final users of heating and cooling are also improved in order to give consumers accurate information on their individual energy consumption.

Increasing energy efficiency will benefit the environment, reduce greenhouse gas emissions, improve energy security by reducing dependence on energy imports from outside the Union, cut energy costs for households and companies, help alleviate energy poverty and contribute to growth and jobs.

Following an in-depth examination at the Council during the Maltese presidency, some issues remained open, in particular the overall EU energy efficiency target (27% - /30%, indicative/ binding?) and the 1.5 % energy savings obligation.

The proposal is part of the extensive Clean Energy Package, presented by the Commission in November 2016 with the aim of implementing the Energy Union strategy, in which energy efficiency is considered as an energy source in its own right.

Energy efficiency of buildings

The Council is expected to reach a general approach on a proposal for a revised directive on energy efficiency of buildings (10288/17).

Buildings are the largest single energy consumer in Europe, consuming 40% of final energy. The aim of the proposal is to promote energy efficiency in buildings and to support building renovation with a view to the long term goal of decarbonising the highly inefficient existing European building stock.

In particular, the proposal requires member states to establish long-term renovation strategies, addressing also energy poverty. It strengthens the links between energy efficiency policy and financing and improves the related systems of documentation and statistical data on the energy performance of buildings.

There is also the possibility to deduct renewable energy produced off-site from the net primary energy of the building, for the purpose of calculating its energy performance. The introduction of a smartness indicator for buildings is proposed and the inspection of heating and air conditioning systems is simplified.

Another important feature of the revised directive is the promotion of electro-mobility, by requiring at least one charging point per ten parking spaces for electric vehicles and pre-cabling for every parking space in new and renovated non-residential buildings. These requirements will apply to buildings with more than ten parking spaces.

The proposal also underlines the importance of aligning the Digital Single Market and the Energy Union agendas, as digitalisation of the energy system is quickly changing the energy landscape.

Clean Energy package

The Council will take note of a progress report on the legislative files under the Clean Energy package (9578/17), regarding in particular electricity market design, energy from renewable sources and governance.

The report summarises the main elements resulting from the Council examination of the Commission's impact assessments, as well as the main topics discussed during the preliminary examination of the proposals which started in February of this year.

The Clean Energy package has three main objectives: putting energy efficiency first, achieving global leadership in renewable energies and providing a fair deal for consumers.

The Commission presented this legislative package on 30 November 2016 with the aim of implementing the Energy Union with a forward looking climate policy strategy, launched in 2015. Its goal is to move towards the decarbonisation of the EU economy by 2030 and beyond, whilst strengthening economic growth, jobs, consumer protection, innovation and competitiveness.

- **Electricity market design**

It includes proposals for a recast of the directive on **common rules for the internal market in electricity** *(15150/16* + *15150/16 ADD 1)*, regulations on the **internal electricity market** *(15135/16* + *15135/16 ADD 1, 15135/16 ADD 2* and **on** a European **Agency for the Cooperation of Energy Regulators** (ACER) *(15149/16* + *15149/16 ADD 1)*, as well as a proposal for a new regulation on **risk preparedness** *(15151/16* + *15151/16 ADD 1)*..

These proposals aim at enabling the transition to a low-carbon economy by addressing factors such as increasing inflows of renewables, subsidy schemes, network access rights, storage solutions, the interplay with other energy generation (notably gas) or regional cooperation.

Member States broadly welcomed the entire package on electricity. The new legislation will allow cross-border integration, empower consumers and provide incentives for necessary investments to fulfil the Union's obligations under the Paris Agreement on climate.

It's generally agreed that well-functioning integrated energy market is the best tool to guarantee affordable energy prices, secure energy supplies and to allow for the integration of larger volumes of electricity produced from renewable sources in a cost efficient manner.

On the four impact assessments on electricity, the main issues raised by member states included:

– the establishment of Regional Operation Centres (ROCs) in relation to the role of Transmission System Operators (TSOs)
– rules on capacity mechanisms;
– providing fair conditions for all technologies
– phasing out of regulated prices
– interconnection specificities and security of electricity supply

On the specific proposals the main items discussed were the following:

- Directive on common rules for the internal market in electricity,

– consumer engagement,
– roles of local energy communities,
– price regulation and the need to protect vulnerable consumers,
– dynamic price contracts
– rules for the roll-out of smart meters

- Regulation on the internal market for electricity,

– organisation of the capacity mechanisms
– definition and decision-making regarding the bidding zones,
– tasks and duties of the ENTSO-E
– mission of the Regional Operational Centres (ROCs)
– administrative burden.

- Regulation establishing a European Union Agency for the Cooperation of Energy Regulators (ACER),

– expansion of competencies for ACER
– supervision of the Nominated Electricity Market Operators,
– wholesale market supervision and cross-border infrastructure
– network codes

- Regulation on risk-preparedness in the electricity sector

– modalities and management of regional cooperation
– future relation with the ROCs.
– non-market based measures and solidarity measures
– methodology for the common risk-preparedness plans

- **Renewable energy**

The proposal for a revised directive on energy from renewable sources (15120/16 + ADD 1) sets out a binding EU level target of at least 27% renewable energy in the Union's gross final consumption of energy in 2030. It addresses notably bioenergy/sustainability, transport, electricity, consumers and heating & cooling .

Regarding the impact assessment the main issues raised by member states included:

– annual 1% increase of the share of renewable energy in the heating and cooling supply;
– gradual increase of advanced biofuels;
– administrative burden

On the proposal the main items addressed were the following

– partial opening-up of support schemes (10-15%) to generators of renewable energy
– "one-stop shop" for the entire permit granting process
– infrastructure interconnections
– new sustainability criteria for forest biomass
– increasing greenhouse gas savings requirements for advanced biofuels and their expected availability

- **Governance**

In the absence of nationally binding targets for renewables and energy efficiency for the period after 2020 (which the October 2014 European Council excluded) and in the context of the Paris Agreement, the proposed regulation on governance (15090/16 ADD 1) designs a cooperation and control mechanism to ensure that the objectives and targets of the Energy Union, are jointly met and that the broad range of actions proposed in these and other areas make up a coherent and coordinated whole.

The control mechanism foresees that member states will submit integrated national energy and climate plans covering their objectives, policies and measures relating to all five dimensions of Energy Union, including greenhouse gas (GHG) emissions reduction targets. These plans would cover the period 2021 - 2030 (and be renewed for every 10-year period thereafter).

Furthermore, the proposal requires that member states submit to the Commission biennial integrated national energy and climate progress reports (the first one being due by 15 March 2021). These reporting exercises should replace and streamline almost all existing reporting obligations in EU energy and climate legislation.

Regarding the impact assessment the main issues raised by member states included

– the linear trajectories for national shares of renewable energy and energy efficiency from 2021 to 2030
– administrative burden

On the proposal the main items addressed were the following

– deadlines for the reporting of draft and final integrated national energy and climate plans
– flexibility to account for national specificities
– obligations resulting from the Paris Agreement
– financing of renewables projects
– methodology to measure the electricity interconnection target

Interconnections

At the request of Portugal and Spain, ministers will hold an exchange of views on the state of play regarding interconnections and its role in the "Clean Energy Package" (10089/1/17 REV 1).

The October 2014 European Council called for "speedy implementation of all the measures to meet the target of achieving interconnection of at least 10 % of their installed electricity production capacity for all Member States by 2020" and set a 15% interconnection target for 2030.

However, there are still missing interconnection links between several countries. Some countries are still far below the 10% interconnection target and will not be able to reach it by 2020, nor by 2025.

These member states wish to discuss whether the Clean Energy Package should include specific measures in this field, calling for a binding 10% interconnection objective, specific EU funding and a strong governance system in order to increase the level of interconnections across the EU to adequate levels.

Portugal and Spain argue that an essential part of the Energy Union is an interconnected European energy grid that enables energy exchanges between Member States.

Furthermore, electricity and gas interconnectors are a strategic element to build the internal energy market, as they are crucial to increase security of supply and to boost a more efficient functioning of energy systems. Interconnections enable more competitiveness and stability in energy markets, as they contribute to the convergence of energy prices for consumers, to avoid investments in duplicate facilities and to reduce the costs associated to system back up and network reinforcement.

Other business

- Nord Stream 2
- Developments in the field of external energy relations
  – Information from the Commission (9990/17)
- Work programme of the incoming Presidency
  – Information from the Estonian delegation