



Council of the European Union

PRESS
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BACKGROUND¹
Brussels, 11 December 2017

Transport, Telecommunications and Energy Council
(Energy issues)
Brussels, 18 December 2017

The Council meeting will begin at **9.30**, chaired by the Minister for Economic Affairs and Infrastructure of the Republic of Estonia, Kadri Simson. The Commission will be represented by Vice-President Maroš Šefčovič and Commissioner Miguel Arias Cañete.

At this Energy Council meeting, EU ministers will discuss four legislative files under the clean energy package, namely those regarding **governance, energy from renewable sources and the internal market for electricity**, with a view to agreeing on a general approach (the Council's negotiating position) for each of them.

Energy proposals, in particular on the electricity market design, are priorities of the Estonian presidency and constitute an important step towards implementing the Energy Union strategy and reaching the European Union's 2030 energy and climate goals.

Under any other business, EU ministers will also be informed about several recent **international energy events**. Finally, the incoming **Bulgarian presidency** will present its **work programme** for the first half of 2018.

Press conference: at the end of the meeting

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Press conferences and public events by video streaming: <http://video.consilium.europa.eu>

Video coverage in broadcast quality (MPEG4) and photo gallery at:
<https://tvnewsroom.consilium.europa.eu/permalink/101537>

¹ This note has been drawn up under the responsibility of the Press office.

CLEAN ENERGY PACKAGE

The clean energy package contains 8 legislative files in total (each with a linked impact assessment) and has three main objectives: putting energy efficiency first, achieving global leadership in renewable energies and providing a fair deal for consumers.

The Council will seek to reach a general approach on four of the legislative files under the clean energy package concerning **governance, energy from renewable sources and the internal market for electricity**.

The other four files in the package concern **energy efficiency, energy performance of buildings, risk-preparedness** in the electricity sector and the **European Union Agency for the Cooperation of Energy Regulators (ACER)**.

On the first two matters, the Council agreed its positions on 26 June 2017 and negotiations are currently underway with the European Parliament on energy-efficient buildings.

Concerning the two remaining areas, the Council endorsed a general approach on risk-preparedness on 4 December. Work is still ongoing on the ACER regulation.

The Commission presented the clean energy package on 30 November 2016 with the objective of implementing the **strategy** for an [Energy Union with a forward-looking climate policy](#), launched in 2015. Its goal is to move towards the decarbonisation of the EU economy by 2030, whilst strengthening economic growth, jobs, consumer protection, innovation and competitiveness.

Governance of the Energy Union

In the absence of nationally binding targets for renewables and energy efficiency for the period after 2020 (as foreseen by the October 2014 European Council) and in the context of the Paris Agreement, the proposed **regulation on governance** 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 in all five areas of the 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).

Based on the progress report from June 2017 and the latest discussions between the member states, the Estonian presidency has prepared a **compromise text** with the following **main elements** for discussion at ministerial level:

Renewables energy: ambition and performance gaps

In order to reach the 27% EU renewables target for 2030, the compromise text introduces **two benchmarks** to the **indicative trajectory**: 22.5% in 2023 and 40% in 2025², applicable at both EU and member states' levels. These milestones have been calculated taking the 20% renewables target set for 2020 as the starting point.

² The benchmark values indicate the percentage of progress made; so that the 2020 starting point is 0% and 2030 target is 100%.

The presidency text puts in place a **'gap-filler mechanism'** to guarantee that any 'ambition gap' or 'delivery gap' on the part of member states is closed. An **ambition gap** refers to cases where member states' planned national contributions do not add up to the EU 2030 target whereas a **delivery gap** is where member states do not achieve their planned national contributions, resulting in a shortfall at the benchmark points or in 2030.

'Objective criteria' are incorporated into the assessment of member states' initial level of ambition for renewable energy for 2030. On this basis, the Commission will be able to identify which member states are not planning to provide an adequate national contribution to the binding EU-level target.

Member states must continue to meet their 2020 binding renewables target after 2020 as well. This is referred to as the **'2020 baseline'**. According to the compromise text, falling below it would oblige the member state in question to take additional measures within one year to close the gap.

Reporting

Furthermore, as per Commission's proposal, member states are required to submit integrated national **energy and climate progress reports** every two years. These reporting exercises should replace and streamline almost all existing reporting obligations in EU energy and climate legislation.

[Presidency compromise text](#)
[Clean energy package - progress report \(26 June 2017\)](#)
[Commission proposal](#)

Renewable energy

The proposal for a revised directive on energy from renewable sources 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 and cooling.

The main items of the latest presidency text are as follows:

Heating and cooling and district heating and cooling

The presidency text preserves the provision that member states should endeavour to achieve an **annual 1% increase in the share of renewable energy** in the heating and cooling supply.

Transport

The **renewables target for the transport sector** for 2030 is set at 14% and the minimum share of advanced biofuels at 3%. The existing 7% cap on first-generation biofuels is maintained and one multiplier: 5x for renewable electricity used in road transport.

Other elements

Particularly in relation to **investments in renewable energy** the proposal addresses the stability of financial support, preventing retroactive changes, a single contact point for permits and clear rules for the sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids and biomass fuels.

The final consumers are to benefit from a simplification of notification procedures for small-scale installations and clearly framed rights and obligations of 'renewable self-consumers' and renewable energy communities.

[Presidency compromise text](#)

[Clean energy package - progress report \(26 June 2017\)](#)

[Commission proposal](#)

Electricity market design

The electricity market design includes proposals for a revised directive on **common rules for the internal market in electricity**, and revised regulations on the **internal electricity market** and on a **European Agency for the Cooperation of Energy Regulators** (ACER), as well as a proposal for a new regulation on **risk-preparedness**. Ministers will discuss the **first two files**.

The new legislation will allow cross-border integration, empower consumers and provide incentives for necessary investments to fulfil the EU's obligations under the Paris Agreement on climate change.

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

Common rules for the internal market in electricity (electricity market directive)

The Estonian presidency has tabled a balanced **compromise text** on the basis of the discussions that have taken place between the member states since July. The **main outstanding issue** for Council discussion is:

Market-based supply prices

The **regulation of electricity prices** and the **need to protect vulnerable consumers** is the most contentious topic among member states. The debate will focus on how to limit the market distortions caused by the regulated prices. The compromise on the table would allow temporary regulated prices but also puts in place market safeguards to avoid cross-subsidies and discrimination of market participants. The member states would also be obliged to offer dynamic contracts and smart meters to support and empower the consumers.

Other key elements of the proposal

- consumer empowerment and protection
- active consumers and energy communities
- ownership of energy storage facilities by distribution system operators (DSOs) and transmission system operators (TSOs).
- interconnectors with third countries

[Presidency compromise text](#)

[Clean energy package - progress report \(26 June 2017\)](#)

[Commission proposal](#)

Internal electricity market (electricity market regulation)

This regulation is the cornerstone for the entire electricity market design. It will provide the necessary framework to ensure a **well-functioning and undistorted internal energy market** with the aim of enhancing flexibility, decarbonisation and innovation. It introduces the main legal principles for electricity trading rules within different trading timeframes.

The **two outstanding topics** that will be the focus of the Council debate are: definition of the bidding zones (including capacity allocation and measures to address congestion) and the capacity mechanisms.

With regard to the **bidding zones**, various new elements are suggested to better define them in a coordinated manner. The proposal is to establish a benchmark level of maximum capacity on the border that needs to be respected. Following the period for the implementation of measures, member states would be able to choose whether to apply a bidding zone split or deal with the congestion by means of remedial actions in order to comply with the set benchmark. Finally, a deadline is introduced for the entire process with the possibility for the Commission to intervene.

The **capacity mechanisms** need to be applied in an open and harmonised manner as their market impact is significant. The main elements of the discussion are the design principles, including the 550 gr CO₂/kWh emission limit, and arrangements for implementing the capacity mechanisms. Also the resource adequacy assessment is addressed in this context as it serves as the trigger for capacity mechanisms.

Other key elements of the proposal

- regional cooperation of the transmission system operators
- balancing and dispatching rules
- setting up an European entity for DSOs and rules on the cooperation between DSOs and TSOs
- network codes update process

[Presidency compromise text](#)

[Clean energy package - progress report \(26 June 2017\)](#)

[Commission proposal](#)

State of play - risk-preparedness in the electricity sector and ACER

The Council endorsed a **general approach** on risk-preparedness on 4 December 2017. This regulation sets out a common framework of rules on how to prevent, prepare for and manage electricity crisis situations and enhance cooperation among member states in the spirit of solidarity.

The revised regulation on **ACER** expands the competencies of the agency in line with the electricity market design. Work on the ACER regulation is ongoing and will depend on the results of the Energy Council.

[Clean energy package - progress report \(26 June 2017\)](#)

[Commission proposal - risk-preparedness](#)

[Commission proposal - ACER](#)

[Energy Union \(background information\)](#)

[Energy Union \(European Commission\)](#)

[Clean energy package \(European Commission\)](#)

Any other business

External energy relations

The Commission will inform ministers about recent international energy events:

Energy Charter Treaty, the Energy Community, Iran, and possibly other issues.

- Information from the Commission

Work programme (January-June 2018)

The Bulgarian delegation will inform EU ministers of its work programme for the coming months as the next member state to hold the presidency.

[Bulgarian presidency website](#)