



Brussels, 2 June 2008

BACKGROUND¹

TRANSPORT, TELECOMMUNICATIONS and ENERGY COUNCIL

Friday 6 June, Luxembourg

(Energy items only)

The meeting will start at 10.00 on Friday 6 June under the Presidency of Mr Andrej Vizjak, Slovenian Minister of Economy.

*The Council will hold a public policy debate on the **climate-energy** legislative package, focusing on the renewables directive. It will be invited to take note of a Presidency report on progress made.*

*The Council is expected in a public debate, to reach a general approach on the third **internal energy market** legislative package.*

*In addition, the Council will be informed by the Presidency and the Commission of developments in **international relations** in the field of energy.*

* * *

At lunch, ministers will discuss the issue of the effective separation of transmission activities from production/supply activities.

The Presidency will hold a press conference at the end of the session.

* * *

Press conferences and public events can be followed via video streaming:

<http://www.consilium.europa.eu/videostreaming>

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

Climate action and renewable energy package

The Council will hold a **public policy debate** on the basis of a **progress report** prepared by the Presidency ([9648/08](#)). The progress report is the same for both Council formations (Energy and Environment), as it deals with the package as a whole.

The Energy ministers' debate will likely focus on a proposal for a directive on the promotion of the use of energy from renewable sources ([5421/08](#)).

The aim of the debate is to provide input for further work of the Council and its preparatory bodies under the incoming French Presidency. Ministers will be invited to focus on few main issues of concern to each delegation. In addition, they are encouraged to submit written contributions.

The Presidency progress report points out the main outstanding issues identified in all four legislative proposals in the package. As far as the renewables directive is concerned, these are the following: targets (level of the national renewable energy targets, conditionality of the renewable transport fuel target and the indicative trajectory and its consequences), long lead-time projects, the systems of trading in guarantees of origin and reinforcing measures.

One part of the report is devoted to the progress made on the sustainability criteria for biofuels, which are considered necessary to ensure that the production of biofuels does not have negative consequences that outweigh the benefits arising from their use. In February Coreper established an ad hoc working party with the task of drawing up a common sustainability scheme for biofuels for the purposes of the renewables and fuel quality¹ directives. The working party met on several occasions and made progress on numerous issues. However, some issues need to be addressed further: the level and date of application of the second stage for the minimum greenhouse gas emissions saving requirement, the environmental and social sustainability of biofuel production which would apply also in third countries and the methodology for calculating greenhouse gas emissions saving.

The climate change-energy package, submitted by the Commission on 23 January, complements existing measures aiming at reaching the overall objective - endorsed by the European Council in March 2007 ([7224/1/07](#)) - of a 20% reduction in greenhouse gases by 2020 and of achieving a 20% share of renewable energies in overall EU energy consumption by 2020, including a 10% target for biofuels.

¹ Proposal for a directive amending directive 98/70/EC as regards the specification of petrol, diesel and gas-oil and introducing a mechanism to monitor and reduce greenhouse gas emissions from the use of road transport fuels and amending Council directive 1999/32/EC, as regards the specification of fuel used by inland waterway vessels and repealing directive 93/12/EEC ([6145/07](#)).

The draft directive on the promotion of the use of energy from renewable sources lays down the principles according to which member states need to ensure that the share of renewable energy in EU final energy consumption reaches at least 20% by 2020. To achieve this objective the Commission's proposal sets mandatory national targets for renewable energy shares, including a 10% biofuels share, by 2020; requires national action plans; standardises guarantees of origin (= certifying the renewable origin of electricity or heat) and enables the transfer of these to provide flexibility to member states to meet their targets by developing cheaper non-domestic renewable energy. In addition, the proposal requires the reduction of administrative and regulatory barriers to the growth of renewable energy, and improvements in the provision of information and training. The draft regulation also creates a sustainability regime for biofuels.

Legal basis: Articles 95 and 175 of the Treaty, vote by qualified majority under the Parliament/Council co-decision procedure.

Internal energy market

The Council is expected to agree, in a **public deliberation**, on a **general approach** on the internal energy market legislative package.

The third package of legislative measures¹ for the internal energy market was submitted by the Commission on 19 September 2007 in response to the call made at the 2007 Spring European Council². This package aims to complement the existing rules in order to make the internal market work for all consumers and to help the EU achieve the objective of more secure, competitive and sustainable energy supply.

The Presidency will submit to ministers a compromise proposal, which will include in particular a solution for the effective separation of supply and production activities from network operation.

The Commission's initial proposal contains two options for achieving the effective separation of activities: ownership unbundling, which would mean that a single company can not be the owner of a transmission network and produce or supply energy; and the independent system operator, which would allow vertically integrated companies to retain network ownership, on condition that the assets are managed by a completely independent company or body.

¹ The Commission energy package contains the following proposals:

- a proposal for a directive amending directive 2003/54/EC concerning common rules for the internal market in electricity ([13043/07](#));
- a proposal for a directive amending directive 2003/55/EC concerning common rules for the internal market in natural gas ([13045/07](#));
- a proposal for a regulation establishing an Agency for the Cooperation of Energy Regulators ([13046/07](#));
- a proposal for a regulation amending regulation (EC) No 1228/03 on conditions for access to the network for cross-border exchanges in electricity ([13048/07](#));
- a proposal for a regulation amending regulation (EC) No 1775/05 on conditions for access to the natural gas transmission networks ([13049/07](#)).

² Action Plan 2007 – 2009 "Energy Policy for Europe" ([7224/1/07](#)).

The work and discussions carried forward in Council bodies showed that while the majority of member states and the Commission considered full ownership unbundling as the best option, some delegations could not accept the two options presented by the Commission. For this reason, the Commission and the Slovenian Presidency presented a joint non-paper proposing a third option for effective separation, which provides for the setting up of independent transmission operators. This option would allow companies to retain ownership of transmission systems on condition that they are managed by an independent transmission operator and that they respect additional safeguards so as to ensure fair and non-discriminatory network access, effective regulation, the development of investments and interconnection infrastructure as well as undistorted incentives to invest.

The Presidency final compromise will build on these three possible options to achieve effective separation of activities and will include other main elements, which have to be considered as a package, in particular: minority shareholding, public ownership, third country clause, certification/designation of transmission systems operators, derogations, adoption of network codes, regulatory powers, regional cooperation, gas specific issues and the provisions related to the Agency.

The European Parliament is expected to adopt its first reading opinions on the electricity directive, electricity regulation and the agency regulation on 17 June and on the gas part of the package on 8 July.

Legal basis: Articles 95 and 55 of the Treaty, vote by qualified majority under the Parliament/Council co-decision procedure.

International relations in the field of energy

The Council will be informed by the Presidency and the Commission of the events and developments concerning international relations which have taken place during the Slovenian presidency or will take place in the near future ([9408/08](#)).

This information will cover *inter alia* the EU-OPEC Dialogue, preparations for the International Partnership for Energy Efficiency Cooperation and the Energy Community.