

**CONCLUSIONS
ON ENERGY**

EUROPEAN COUNCIL

4 February 2011

1. Beyond the immediate action required to tackle the most pressing challenges posed by the economic and financial crisis, it is important to continue laying solid foundations for a sustainable and job-creating growth. This is the purpose of the Europe 2020 Strategy for jobs and growth adopted last June. Today, the European Council focused on two sectors – energy and innovation – which are key to Europe's future growth and prosperity. It agreed on a number of priority actions whose implementation will contribute much to enhancing growth and job creation as well as promoting Europe's competitiveness.

I. ENERGY

2. Safe, secure, sustainable and affordable energy contributing to European competitiveness remains a priority for Europe. Action at the EU level can and must bring added value to that objective. Over the years, a lot of work has been carried out on the main strands of an EU energy policy, including the setting of ambitious energy and climate change objectives and the adoption of comprehensive legislation supporting these objectives. Today's meeting of the European Council underlined the EU's commitment to these goals through a number of operational conclusions, as set out below.
3. The EU needs a fully functioning, interconnected and integrated **internal energy market**. Legislation on the internal energy market must therefore be speedily and fully implemented by Member States in full respect of the agreed deadlines. Council and European Parliament are invited to work towards the early adoption of the Commission's proposal for a Regulation on energy markets integrity and transparency.

4. The internal market should be completed by 2014 so as to allow gas and electricity to flow freely. This requires in particular that in cooperation with ACER national regulators and transmission systems operators step up their work on market coupling and guidelines and on network codes applicable across European networks. Member States, in liaison with European standardization bodies and industry, are invited to accelerate work with a view to adopting technical standards for electric vehicle charging systems by mid-2011 and for smart grids and meters by the end of 2012. The Commission will regularly report on the functioning of the internal energy market, paying particular attention to consumers issues including the more vulnerable ones in line with the Council conclusions of 3 December 2010.

5. Major efforts are needed to modernise and expand Europe's energy infrastructure and to interconnect networks across borders, in line with the priorities identified by the Commission communication on energy infrastructure. This is crucial to ensure that solidarity between Member States will become operational, that alternative supply/transit routes and sources of energy will materialise and that renewables will develop and compete with traditional sources. It is important to streamline and improve authorisation procedures, while respecting national competences and procedures, for the building of new infrastructure; the European Council looks forward to the forthcoming proposal from the Commission in that respect. The various initiatives undertaken by Member States to integrate markets and networks at a regional level as well as those outlined in the Commission communication contribute to the objective and deserve support. No EU Member State should remain isolated from the European gas and electricity networks after 2015 or see its energy security jeopardized by lack of the appropriate connections.

6. The bulk of the important financing costs for infrastructure investments will have to be delivered by the market, with costs recovered through tariffs. It is vital to promote a regulatory framework attractive to investment. Particular attention should be given to the setting of tariffs in a transparent and non-discriminatory manner at levels consistent with financing needs and to the appropriate cost allocation for cross-border investments, enhancing competition and competitiveness and taking account of the impact on consumers. However, some projects that would be justified from a security of supply/solidarity perspective, but are unable to attract enough market-based finance, may require some limited public finance to leverage private funding. Such projects should be selected on the basis of clear and transparent criteria. The Commission is invited to report by June 2011 to the Council on figures on the investments likely to be needed, on suggestions on how to respond to financing requirements and on how to address possible obstacles to infrastructure investment.
7. In order to further enhance its security of supply, Europe's potential for sustainable extraction and use of conventional and unconventional (shale gas and oil shale) fossil fuel resources should be assessed.
8. Investments in **energy efficiency** enhance competitiveness and support security of energy supply and sustainability at low cost. The 2020 20% energy efficiency target as agreed by the June 2010 European Council, which is presently not on track, must be delivered. This requires determined action to tap the considerable potential for higher energy savings of buildings, transport and products and processes. As of 1 January 2012, all Member States should include energy efficiency standards taking account of the EU headline target in public procurement for relevant public buildings and services. The Council is invited to promptly examine the upcoming Commission proposal for a new Energy Efficiency Plan, setting out in more detail a series of policies and measures across the full energy supply chain. It will review the implementation of the EU energy efficiency target by 2013 and consider further measures if necessary.

9. The Commission is invited to strengthen its work with Member States on the implementation of the **Renewable Energy** Directive, in particular as regards consistent national support schemes and cooperation mechanisms.

10. The EU and its Member States will promote investment in **renewables and safe and sustainable low carbon technologies** and focus on implementing the technology priorities established in the European Strategic Energy Technology plan. The Commission is invited to table new initiatives on smart grids, including those linked to the development of clean vehicles, energy storage, sustainable bio fuels and energy saving solutions for cities.

11. There is a need for better coordination of EU and Member States' activities with a view to ensuring consistency and coherence in the EU's **external relations** with key producer, transit, and consumer countries. The Commission is invited to submit by June 2011 a communication on security of supply and international cooperation aimed at further improving the consistency and coherence of the EU's external action in the field of energy. The Member States are invited to inform from 1 January 2012 the Commission on all their new and existing bilateral energy agreements with third countries; the Commission will make this information available to all other Member states in an appropriate form, having regard to the need for protection of commercially sensitive information. The High Representative is invited to take fully account of the energy security dimension in her work. Energy security should also be fully reflected in the EU's neighbourhood policy.

12. The EU should take initiatives in line with the Treaties in the relevant international fora and develop mutually beneficial energy partnerships with key players and around strategic corridors, covering a wide range of issues, including regulatory approaches, on all subjects of common interest, such as energy security, safe and sustainable low carbon technologies, energy efficiency, investment environment maintaining and promoting the highest standards for nuclear safety. It should encourage neighbouring countries to embrace its relevant internal energy market rules, notably by extending and deepening the Energy Community Treaty and promoting regional cooperation initiatives. In the context of the Energy Strategy 2020 it should also develop measures as necessary to ensure a level playing field for EU power producers vis-à-vis producers outside the European Economic Area. Europe needs to diversify its routes and sources of supply. The Commission is accordingly invited to continue its efforts to facilitate the development of strategic corridors for the transport of large volumes of gas such as the Southern Corridor.
13. Work should be taken forward as early as possible to develop a reliable, transparent and rules-based partnership with Russia in areas of common interest in the field of energy and as part of the negotiations on the post-Partnership and Cooperation Agreement process and in the light of on-going work on the Partnership for Modernization and the Energy Dialogue.
14. The EU will cooperate with third countries in order to address the volatility of energy prices and will take this work forward within the G20.
15. The European Council looked forward to the elaboration of a **low carbon 2050 strategy** providing the framework for the longer term action in the energy and other related sectors. Reaching the EU objective, in the context of necessary reductions according to the IPCC by developed countries as a group, of reducing greenhouse gas emissions by 80-95% by 2050 compared to 1990 as agreed in October 2009 will require a revolution in energy systems, which must start now. Due consideration should be given to fixing intermediary stages towards reaching the 2050 objective. The European Council will keep developments under review on a regular basis.