



Council of the
European Union

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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: European Council (23 and 24 October 2014)
- Draft conclusions

In accordance with Article 2(3)(a) of the Council's Rules of Procedure, delegations will find attached the draft conclusions prepared by the President of the European Council, in close cooperation with the member of the European Council representing the Member State holding the six-monthly Presidency of the Council and with the President of the Commission.

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I. 2030 CLIMATE AND ENERGY POLICY FRAMEWORK

1. On the basis of the principles identified in the March 2014 European Council conclusions, the European Council agreed today on the 2030 climate and energy policy framework for the European Union. Accordingly, the EU will submit its contribution in line with the timeline agreed by the UNFCCC in Warsaw for the conclusion of a global climate agreement at the latest by the first quarter of 2015. The European Council calls on all countries to come forward with ambitious targets and policies well in advance of the Conference of the Parties 21 in Paris. It will revert to this issue after the Conference to assess its results.

GHG emissions reduction target

2. The European Council endorsed an EU target of a 40% domestic reduction in greenhouse gas emissions by 2030 compared to 1990. To that end :
 - 2.1 the target will be delivered collectively by the EU in the most cost-effective manner possible, with the reductions in the ETS and non-ETS sectors amounting to 43% and 30% by 2030 compared to 2005, respectively;
 - 2.2 all Member States will participate in this effort, balancing considerations of fairness and solidarity;

EU ETS

- 2.3 a well functioning, reformed Emissions Trading System (ETS) will be the main European instrument to achieve this target; the annual factor to reduce the cap on the maximum permitted emissions will be changed from 1.74% to 2.2% from 2021 onwards;
- 2.4 free allocation will not expire, but will continue after 2020 to prevent the risk of carbon leakage due to climate policy, as long as no comparable efforts are undertaken in other major economies, with the objective of providing appropriate levels of support for sectors at risk of losing international competitiveness. Future allocations should ensure better alignment with changing production levels in different sectors. At the same time, incentives for industry to innovate will be fully preserved and administrative complexity will not be increased;

- 2.5 the existing NER300 facility will be renewed, with the scope extended to low carbon innovation in industrial sectors and the initial endowment increased to 400 million allowances (NER400). Investment projects in all Member States will be eligible;
- 2.6 a new reserve of [1-2%] of the EU ETS allowances will be set aside to address particularly high additional investment needs in low income Member States (GDP per capita¹ below 60% of the EU average). It will have the following characteristics:
- the proceeds from the reserve will be used to improve energy efficiency and modernise the energy systems of these Member States, so as to provide their citizens with cleaner, secure and affordable energy;
 - the use of the funds will be fully transparent;
 - allowances from the reserve will be auctioned according to the same principles and modalities as for other allowances;
 - the reserve will serve to establish a fund managed by the EIB which will collaborate actively with national and regional banks to ensure appropriate distribution of funds, while ensuring simplified arrangements for small-scale projects;
- 2.7 for the purposes of solidarity and growth, 10% of the EU ETS allowances to be auctioned by the Member States will be distributed among those countries whose GDP per capita did not exceed 90% of the EU average (in 2013), while the rest will be distributed among all Member States on the basis of verified emissions;

¹ All references to GDP in 2013 in EUR at market prices.

Non-ETS sectors

- 2.8 the methodology to set the national reduction targets for the non-ETS sectors, as agreed in the Effort Sharing Decision for 2020, will be continued until 2030, with efforts distributed on the basis of relative GDP per capita. All Member States will contribute to the overall EU reduction in 2030 with the targets spanning from 0% to -40% compared to 2005;
- 2.9 targets for the Member States with a GDP per capita above the EU average will be relatively adjusted to reflect cost-effectiveness within this group and domestic ambition levels. The use of flexibility instruments will be significantly enhanced in order to ensure cost-effectiveness of the collective EU effort and convergence of emissions per capita by 2030;
- 2.10 it is important to reduce greenhouse gas emissions and risks related to fossil fuel dependency in the transport sector. This calls for a comprehensive and technology neutral approach for the promotion of transport efficiency, electric transportation and renewable energy sources in transport also after 2020;
- 2.11 the multiple objectives of the agriculture and land use sector should be acknowledged, as well as the need to ensure coherence between the EU's food security and climate change objectives. The European Council invites the Commission to examine the best means of encouraging the sustainable intensification of food production, while optimising the sector's contribution to greenhouse gas mitigation and sequestration.

Renewables and energy efficiency

3. An EU target of at least 27% is set for the share of renewable energy consumed in the EU in 2030. This target will be binding at EU level. It will be fulfilled through Member States commitments guided by the need to deliver collectively the EU target. An indicative target at the EU level of 30% is set for improving energy efficiency in 2030 compared to projections of future energy consumption. The Commission will identify priority sectors in which significant energy-efficiency gains can be reaped and propose ways to address them, with the EU and the Member States focusing their regulatory and financial efforts on these sectors.

These targets will be achieved in full respect of the Member States' freedom to determine their energy mix.

Energy security

4. Recalling its conclusions of June 2014, the European Council endorsed further actions reducing the EU's energy dependence and increasing its energy security for both electricity and gas. In this context, the European Council endorsed the Presidency report on energy security². It welcomed the Commission report on immediate action in order to increase the EU's resilience to a possible major disruption in the upcoming winter. This report provides a complete picture of the robustness of Europe's energy system (stress test exercise). In this context, the European Council welcomes the contributions from all Member States, key energy players, as well as neighbouring countries and partners.

4.1 The European Council decided that:

- Member States will take urgent measures in coordination with their neighbours to advance projects necessary to reach the existing electricity interconnections target of 10%;

² Doc. 13788/14

- Member States and the Commission will ensure that the implementation of projects of common interest identified in the European Energy Security Strategy which link the energy islands, in particular the Baltic States and the Iberian Peninsula, to the rest of the internal energy market, will have the highest priority and will be completed by 2020. In that context, the European Council welcomed the recent announcement that transmission system operators have agreed on a common strategy for the development of interconnection for the Iberian Peninsula with the internal electricity market, including concrete projects in order to increase the capacity significantly. Transmission system operators and regulatory authorities will ensure inclusion of these projects in the upcoming 10-year network development plans. In the context of energy islands, special attention will be paid to Malta, Cyprus and Greece;
- where the implementation of these projects will not suffice to reach the 10% target, new projects will be identified, added as a matter of priority in the upcoming review of the list of projects of common interest and swiftly implemented. The European Union and the relevant Member States will ensure that these projects are adequately financed.

4.2 The European Council agreed to:

- increase the target for electricity interconnections to 15% by 2030, to be achieved via implementation of the PCIs, while taking into account the cost aspects and the potential of commercial exchanges in the relevant regions;
- implement the critical projects of common interest in the gas sector identified in the European Energy Security Strategy and improve arrangements for a better use of regasification and storage capacity in the gas system to better tackle emergency situations;

- invite the Commission to intensify its support in order to ensure better coordination of efforts to complete critical projects of common interest; and to develop targeted actions such as technical advice or the setting-up of multilateral task forces on specific interconnectors with the relevant Member States in order to swiftly resolve problems in implementation;
- streamline national administrative procedures in accordance with the Commission's guidance, and to further develop a policy to address the protection of critical energy infrastructure, including against ICT risks;
- in order to increase the EU's bargaining power in the energy negotiations, make full use of the Decision establishing an information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy, in particular as regards standard provisions and Commission's assistance in the negotiations;
- ensure that Member States and involved companies provide relevant information to the Commission and systematically seek its advice throughout negotiations, including on the ex-ante assessment of the IGA's compatibility with EU legislation and its energy security priorities;
- use EU and Member States foreign policy instruments to pass consistent messages related to energy security, in particular to strategic partners and major energy suppliers.

The European Council will revert to the issue of energy security in 2015 to assess progress.

Governance

5. The European Council agreed that a reliable and transparent governance system will be developed to help ensure that the EU meets all of its energy policy goals, with the necessary flexibility for Member States and in full respect of their freedom to determine their energy mix. This governance system will :
 - 5.1 build on the existing building blocks, such as national climate programmes, national plans for renewable energy and energy efficiency. Separate planning and reporting strands will be streamlined and brought together;
 - 5.2 increase transparency and predictability for investors by inter alia systematic monitoring of key indicators for a competitive, secure and sustainable energy system;
 - 5.3 facilitate coordination of national energy policies with neighbouring countries and foster regional cooperation between Member States.

The European Council recalls its goal to build an Energy Union aiming at affordable, secure and sustainable energy, as stated in its Strategic Agenda, and will keep the implementation of this goal under regular review.
