

Brussels, 18 February 2009

Energy Council - Brussels, 19 February 2009

On 19th February, starting at 10.00 there will be an Energy Council. It is the first regular Council since the gas crisis between Russia and Ukraine in January. The main objectives of the Council are to have an exchange of views on the gas crisis, to adopt conclusions on the Strategic Energy Review and to have an orientation debate on the proposal on the revision of the Directive on oil stocks and the Commission Communication on the security of supply for natural gas. The lunch will be focused on the technical elements of the energy projects of the Recovery Plan.

Points in the agenda

1. Energy Security: Follow up of the gas crisis. Information from the Presidency and the Commission. Exchange of views

The Commission and presidency will inform the ministers on the development of the recent gas crisis between Russia and Ukraine and the lessons learned from this crisis, that from 7 January until 20 January left Europe with no Russian gas coming from Ukraine.

During the crisis, the EU demonstrated that it could speak with one voice, and was able to act quickly and resolutely, for instance, when sending monitors to remote locations in Ukraine and Russia. Discussions are ongoing with the Russian authorities on how to continue the monitoring mission. The protocol establishing the terms of reference for the mission remains in place, monitoring reports are provided on a daily basis.

Mitigation measures taken by EU companies and the Member States allowed most countries to manage the situation successfully. Solidarity measures as supply of gas to EU countries more severely affected by the gas cut were swiftly implemented.

However, the weaknesses of EU energy security and the EU's energy situation were also identified. It confirmed that the EU urgently needs to continue the development of the internal market, to improve energy interconnections for security of supply, to reinforce its emergency mechanisms and to strengthen its negotiating position vis-à-vis our major suppliers.

The rapid development of infrastructure for the EU's energy needs, to encourage diversity of both energy sources and supply routes under the 2nd Strategic Energy Review, is paramount. The projects identified in the Strategic Energy Review are highly relevant to this aim. The Commission considers that the proposed regulation on financial assistance to energy projects, with a view to financing energy infrastructure projects under the Recovery Plan, should be quickly adopted.

As to relations with Russia and Ukraine, the Presidency has confirmed its aim that negotiations on new agreements with both Russia and Ukraine should make real progress over the coming months. The Commission is also pursuing negotiations for Ukraine to accede to the Energy Community Treaty, which is the shortest way to help Ukraine restructuring its energy sector and creating transparency on the transit.

The gas crisis was discussed at the extraordinary Energy Council of 12 January 2009 and in two technical meetings of the Gas Coordination Group on 9 and 19 January. The crisis was also debated in a meeting of Director Generals of relevant EU Ministries. A meeting of the Gas Coordination Group, to discuss the follow-up of the crisis, has been organised for 23 February.

2. Energy Security. Adoption of the conclusions of the Council for the second Strategic Energy Review

The Ministers are expected to adopt highly supportive Council Conclusions on the Strategic Energy Review which will pass to the GAERC and subsequently to the European Council on 19-20 March 2009. These conclusions would form the basis of a European Council endorsement of the SER.

The gas crisis has confirmed that the need for an EU energy security and solidarity plan is more urgent than ever. The Russia-Ukraine gas crisis confirmed the arguments of the Strategic Energy Review: while the EU is definitely the best level at which to tackle energy security crises, the current framework is not strong enough to prevent these happening.

The support of the council to the second Strategic Energy Review is also very strong. Mrs Laperrouze's (ALDE, FR) report on the second Strategic Energy Review was adopted by a large majority at the Plenary on 3 February. The report was very supportive of the Commission policies. Commissioner Piebalgs and Reding participated in a joint energy debate at the plenary of the European Parliament. Discussions were held around three main issues: the consequences of the recent gas crisis (statement made by Commissioner Piebalgs), the Laperrouze's report (final discussion before the vote) and an oral question on the challenge of Energy Efficiency through Information and Communication Technologies.

The debate was long with many interventions from MEPs. Commissioner Piebalgs emphasized that the crisis had served to highlight both positive developments in our common energy policy (response with one voice, solidarity examples between Member States, the fact that the market reacted reasonably well, etc) and some weaknesses such as an insufficiently interconnected gas network and the need for more transparency and stronger mechanisms for crisis coordination.

3. Orientation debate on the oil stocks directive

The Spring 2007 European Council called for the revision of oil stocks mechanism – especially with respect to availability in the event of a crisis and coherence with the IEA system. The legislative proposal was prepared on 13 November of 2008. The objective of the proposal is to increase Europe's emergency preparedness by reinforcing crisis response mechanisms, e.g. by the increase of the availability of stock; to ensure better complementarity with the crisis mechanism of the IEA; to improve transparency of the oil stocks and to simplifying compliance and administrative burden for member States. The proposal for a Directive aims to replace all existing Community legislation in this area (Council Directives 2006/67/EC and 73/238/EEC, and Council Decision 68/416/EEC), which already imposed a requirement on Member States to hold stocks of petroleum products for 90 days of consumption.

The Commission considers that Europe is highly dependent on the continuous supply of oil and petroleum products. Dependence on imports of oil and the risk of supply disruptions is growing. Hence the need to strengthen the system of emergency oil stocks in the EU and the mechanisms for their use in case of a crisis. Greater assurance of the availability of stocks is needed. Greater coherence with the IEA system is also desirable; it can simplify compliance and reduce the administrative burden for MS.

Nevertheless simple alignment with the IEA would in itself effectively weaken the current level of preparedness. Therefore additional provisions are required, such as for MS with indigenous production and for ensuring that at least some parts of stocks are of unquestioned and permanent availability. To improve oil market transparency and limit the effects of uninformed speculation, the proposed weekly disclosure of commercial oil stocks held outside of the scope of the stockholding obligation. To facilitate timely Community response in case of supply disruptions simplification and clarification of procedures for emergency situations and the rules for use of emergency stocks are proposed.

The Czech Presidency aims to prepare for an early agreement on this proposal. It will invite Ministers to hold a policy debate on this proposal at the TTE Council of 19 February. The Presidency expressed its intention to adopt the new directive during its term.

The responsible European Parliament Committee, ITRE will discuss the issue at its meeting on 16-17 February. The report by EP rapporteur MEP Ransdorf (CZ, GUE/NGL) is generally supportive of the Commission approach.

4. Orientation debate on the Communication of Security of gas supply

Member States should discuss and provide their views for a revision of the security of gas supply directive.

One of the main consequences of the gas crisis, recognised by the Energy Council of 12 January and by the European Parliament in its resolution on the Strategic Review on 3 February, is the need to revisit the Council directive 2004/67 on security of gas supply.

This revision had already been announced in November 2008 in the SER and a Communication on the implementation by the Member States of this directive had highlighted the main shortcomings of the directive. These shortcomings have been verified in January 2009.

Commission would like to integrate fully the concept of responsibility and solidarity: each one has to take the necessary measures and these measures may also be useful to implement solidarity mechanisms.

The CZ Presidency's proposed question to structure the Energy Council's debate on the revision of the Directive is entirely open-ended. Such a debate, eliciting priorities of Member States, will help the Commission in its preparation of the revision.

The Commission welcomes the planned debate in the Energy Council on the revision of the Gas Security of Supply Directive. More detailed consultation will follow on 23 February 2009 in the Gas Coordination Group with Member States and the gas industry (Eurogas, GIE, OGP, IFIEC). A detailed questionnaire on the crisis consequences and lessons has been sent to the Member States. Their replies will help assessing fully the consequences and the measures most needed to prevent and address future crises. The Commission will use these contributions to prepare revision of the directive in the coming months.

Member States provided their first ideas on what is needed in term of preventing and dealing with gas crises at the extraordinary Energy Council on 12 January and at the meeting of Directors General for Energy on 21 January 2009. Some ideas have come out of these discussions.

The general feeling is that the market worked satisfactorily and the industry played its role during the gas crisis. There were however a number of lessons to be learned for the future:

- The concerns were not focussed on security of gas supply, but on energy security as a whole. Therefore, the means to alleviate a gas crisis should be looked also in the diversification of the energy-mix, energy efficiency improvements, identification of missing interconnectors and diversification of routes and suppliers.
- Transparency was a crucial point. To this purpose, the Gas Coordination Group worked effectively, but data availability remained an issue, as some players were not allowed to disclose important information to help managing the crisis.
- The drivers of the Second Strategic Energy Review have been corroborated, but the actions identified in the Review should be speed up, in particular concerning transport capacity (links, interconnectors, storages, reverse flows) and the diversification of routes and suppliers (including the Southern Gas Corridor, LNG action plan).
- The internal market “package” brings very important elements to strengthen the security of supply in case of crisis, not least on transparency.
- Strategic stocks had been mentioned by several delegations, but this issue remained controversial. Such stocks are very costly and other measures may be implemented with more cost effectiveness.
- In the present context of crisis, EU was able to speak with a single voice. This could be a good example to highlight for the future.
- EP is supporting the promised earlier revision of the security of gas supply directive.

5. Divers

- The Bulgarian delegation will inform about this event in Sofia on 24-25 April 2009.
- The Hungarian delegation will inform about the Budapest Nabucco Summit at the end of January 2009.
- The Presidency will inform on a conference on Energy Security in Ostrava on 29 January 2009 which was attended by Commissioner Piebalgs.

6. Lunch: Recovery Plan

During the lunch there will be a discussion on the technical aspects of the proposal adopted on 28 January, providing for EU co-funding of selected projects in the area of electricity and gas interconnections, and offshore wind and Carbon Capture and Storage (CCS) projects.

To summarise, there were for interconnectors: 1750 M€ for 20 projects + a 20M€ facility for gas equipment to enable notably reverse flows + 20M for projects in Malta and Cyprus, which still need to be determined. Offshore wind: 500M for 5 projects; and CCS: 1250M for 5 projects out of 11 (only one project per MS concerned by the 11 projects); each project max. 250M. Budget source: A transfer of the unused 2008 budget margin of Heading 2 (Preservation of natural resources) to the 2009 and 2010 budget of Heading 1a (Competitiveness for growth and employment).

The Commission will explain why its proposal is balanced, even if it would have liked to be able to support even more projects. The Commission will appeal to Member States to reach agreement at Spring Council.