

2507th Council meeting
- TRANSPORT, TELECOMMUNICATIONS AND ENERGY -
Brussels, 14 May 2003

President :
Mr Apostolos TSOCHATZOPOULOS, Minister of Development of the Hellenic Republic

CONTENTS¹

PARTICIPANTS	3
---------------------------	---

ITEMS DEBATED

PROMOTION OF CO-GENERATION	5
SUSTAINABLE DEVELOPMENT - FOLLOW UP TO THE JOHANNESBURG SUMMIT	5
SECURITY OF ENERGY SUPPLY	6
ENERGY RELATIONS WITH THIRD COUNTRIES	7
OTHER BUSINESS.....	12
– LIBERALISATION OF ELECTRICITY AND GAS MARKETS	12

ITEMS APPROVED WITHOUT DEBATE

SOCIAL POLICY

– Extension of social security provisions to third-country nationals	I
--	---

EXTERNAL RELATIONS

– Romania – Association Council on 19 May 2003	I
--	---

¹

- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the above mentioned Council Internet site or may be obtained from the Press Office.

PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium :

Mr Alain ZENNER

State Secretary for Energy and Sustainable Development

Denmark :

Mr Bendt BENDTSEN

Minister for Economic Affairs, Trade and Industry

Germany :

Mr Georg Wilhelm ADAMOWITSCH

State Secretary, Federal Ministry of Economic Affairs and Labour

Greece :

Mr Apostolos TSOCHATZOPOULOS

Mr Georgios AGRAFOTIS

Minister for Development

State Secretary for Development

Spain :

Mr José FOLGADO BLANCO

State Secretary for Energy, Industrial Development and Small and Medium-Sized Enterprises

France :

Ms Nicole FONTAINE

Minister attached to the Minister for Economic Affairs, Finance and Industry, with responsibility for Industry

Ireland :

Mr Martin BRENNAN

Director General for Energy

Italy :

Mr Antonio MARZANO

Minister for Production Activities

Luxembourg :

Mr Henri GRETHEN

Minister for Economic Affairs, Minister for Transport

Netherlands :

Mr Henne J.J. SCHUWER

Deputy Permanent Representative

Austria :

Ms Judith GEBETSROITHNER

Deputy Permanent Representative

Portugal :

Mr Franquelim ALVEZ

Deputy State Secretary at the Ministry of Economy

Finland :

Mr Mauri PEKKARINEN

Minister for Trade and Industry

Sweden :

Mr Claes ÅNSTRAND

State Secretary at the Ministry of Industry, Employment and Communication

United Kingdom :

Mr Brian WILSON

Minister of State for Energy and Construction

Commission :

Ms Loyola DE PALACIO

Vice-President

The Governments of the Acceding States were represented as follows:

Czech Republic :

Mr Miroslav SOMOL
Mr Martin PECINA

Vice-Minister for European Union
Vice-Minister for Energy

Estonia :

Mr Meelis ATONEN

Minister of Economic Affairs and Communication

Cyprus :

Mr Sotiris SOTIRIOU

Permanent Secretary, Ministry of Commerce, Industry and
Tourism

Latvia :

Mr Juris LUJANS

Minister for Economics

Lithuania :

Mr Nerijus EIDUKEVICIUS

Vice-Minister for Economy

Hungary :

Mr György HATVANI

Deputy State Secretary for Energy at the Ministry of Economy
and Transport

Malta:

Mr Ninu ZAMMIT

Minister for Resources and Infrastructure

Poland :

Mr Miroslaw ZIELINSKI

Under Secretary of State, Ministry of Economy, Labour and
Social Policies

Slovakia :

Mr Lubomir DURŽO

State Secretary, Ministry of Industry, Employment and
Communications

Slovenia :

Mr Janez KOPAČ

Minister for Environment, Spatial Planning and Energy

ITEMS DEBATED

PROMOTION OF CO-GENERATION

The Council agreed on a general approach on the basis of a compromise proposed by the Presidency, on the proposal for a Directive aimed at creating a framework for promotion and development of high efficiency electrical cogeneration. A common position will be adopted at a forthcoming Council meeting, after finalisation of the text, and sent to the European Parliament for a second reading in accordance with the co-decision procedure.

The Presidency compromise includes provisions regarding efficiency criteria, guarantee of origin, the support schemes, the electricity grid system and tariff issues, as well as on the definition of power-to-heat ratio and co-generation units.

The proposal is a key component of the EU's strategy for energy efficiency and energy savings and for contributing to the reduction in CO₂ emissions, and it also aims at improving security of energy supply. It provides for a regulatory framework for the promotion and development of the simultaneous generation in one process of heat and electrical and/or mechanical power.

By introducing harmonised provisions throughout the Community, the proposal is aimed at overcoming current divergences whereby some Member States already have support schemes and targets for co-generation whilst others still have no provisions on electricity production from co-generation.

SUSTAINABLE DEVELOPMENT - FOLLOW UP TO THE JOHANNESBURG SUMMIT

The Council held an exchange of views on the future use of renewable energy sources at both national and Community level, with a view to enabling the European Union to play a more active role in defining targets and instruments to meet the commitments made at the World Summit on Sustainable Development (WSSD) at Johannesburg in September 2002.

The debate focused on existing or soon to be adopted Community instruments for meeting commitments and to the medium and long-term future of renewable energy up to 2020.

The Council's debate showed broad convergence on the following:

- the existing regulatory framework is sufficient to meet the targets set in Johannesburg adequately but needs to be further assessed and monitored.
- specific actions for achieving targets set at national and Community level for 2010 concerning renewable energy should include mechanisms to encourage investments in renewable /alternative energy sources and other measures which could contribute to enhance their competitiveness in the medium term, while taking account of the cost-effectiveness of these measures.
- in the longer term, emphasis should be given on the importance of encouraging investments in research aimed at developing new technologies leading to a broad diversification of energy sources such as bio-mass energy, photovoltaic energy and hydrogen energy.

It is recalled that by endorsing the Johannesburg *Declaration of the willing*, Member States committed themselves to “*substantially increase the global share of renewable energy sources, with regular review of progress, on the basis of clear and ambitious time-bound targets set at the national, regional and hopefully at the global level*”.

The European Council in Brussels on 20/21 March, invited Member States to “*accelerate progress towards meeting the Kyoto Protocol targets, including the reduction of greenhouse gas emissions, the increase in the share of renewable energy, setting an EU-wide indicative target for renewable energy of 12% of primary energy needs and of 22% of electricity needs by 2010 and encouraging national targets; increased energy efficiency...*”.

SECURITY OF ENERGY SUPPLY

The Council held a policy debate on two draft Directives regarding the security of supply of petroleum products and natural gas.

The Commission proposal on the security of supply of petroleum products provides for harmonisation of the national storage systems, for harmonised rules regarding security stocks built up on the territory of another Member State, and for the co-ordinated use of security stocks in the event of an oil supply crisis.

The Commission proposal on the security of gas supply provides for minimum security supply standards, the clarification of the role of the different market players, specific rules regarding the monitoring of long-term contracts, and a system of information and reporting, as well as a solidarity mechanism for the event of a major gas supply difficulty.

Both proposals provide for the creation of a European observation system for oil and gas supply.

Summing up the debate, the President noted that a majority of delegations were agreed that the main objective of both proposed Directives should be the security of energy supply. He concluded that:

- As regards oil, existing mechanisms and instruments – possibly to be updated – have been shown to be both sufficient and efficient in the light of recent international events. Nevertheless, a closer link could be forged between Community crisis procedures and International Energy Agency mechanisms in order to maximise synergies between them.
- As regards gas, harmonised rules should not go beyond the absolute minimum necessary for supply measures and standards for ensuring security of supply. Market forces are in general considered to be sufficient to ensure both security of gas supply and a level playing field regarding security of supply obligations. In any event, due account should be taken – before deciding on new instruments – of the implementation of the new Directive aimed at liberalising Community gas markets.

ENERGY RELATIONS WITH THIRD COUNTRIES

Ministers held an exchange of views over lunch on energy relations with third countries, covering in particular the EU–Russia dialogue, Euro–Mediterranean co-operation, South–Eastern Europe and the Northern dimension. The Council adopted the following conclusions:

"The Council,

1. EMPHASISING the three objectives of energy policy in the EU, i.e. security of supply, competitiveness and protection of the environment;
2. NOTING that addressing security of supply issues requires the diversification of energy sources both in terms of fuel and origin, and that further integration, including trade, investment, interconnection and other co-operation in the energy sector can create added value and strengthen the social and economic cohesion of the regions concerned;
3. NOTES the importance of the other countries neighbouring the enlarged European Union and the value of strengthening energy relations with these countries according to the same principles followed for on-going relations;
4. STRESSES that dialogues and co-operation with third countries in the field of energy have to respond to the above-mentioned objectives and should be promoted further on the basis of the following principles:
 - i. They should be based on mutually recognised needs, taking into account the resulting added-value for both the EU and the countries concerned.
 - ii. They should be conducted in a way that is consistent with sustainable development, should take into account the environmental impact of different energy sources and technologies, and in particular the CO₂ emissions attached to them, and should therefore also be used for exploring with partner-countries how best to achieve the commitments made at the World Summit on sustainable development at Johannesburg (WSSD) regarding the promotion of renewable energy and energy efficiency and promote participation in the Sustainable Energy Coalition.
 - iii. They should be consistent with the orientations given by the General Affairs Council regarding the EU external action as defined for instance in Common Strategies. These dialogues and co-operation should complement and be in accordance with the EU's and Member States' multilateral obligations under institutions such as the World Trade Organisation, the IEA and the Energy Charter Treaty.
 - iv. The EU should continue to engage third country partners in a proactive way without excluding any particular regions or countries and take into account third countries' national characteristics when developing instruments under these dialogues and co-operation.
 - v. Adequate involvement of all concerned parties should be ensured, in particular the private sector, industry, and relevant financial institutions such as the EIB and EBRD as well as, where appropriate, relevant bodies such as UCTE, CEER and ETSO ².

² Union for the Co-ordination of Transmission of Electricity; Council of European Energy Regulators; European Transmission System Operators' Association.

- vi. Good use should be made of fora such as the International Energy Forum in improving the energy dialogue between producer, transit and consumer countries, avoiding, unless duly justified, the setting up of new structures or instruments.
 - vii. The Commission should inform Member States in a timely fashion of any action proposed, report regularly in the course of such dialogues and continue to play an active role in these regional co-operation initiatives, in close consultation with Member States.
5. ACKNOWLEDGES the contribution already made by on-going processes such as the energy dialogue with Russia, the Euromed process, the Stability Pact for South East Europe, the Northern Dimension and the Energy Charter, and organisations such as the International Energy Agency;

I. AS REGARDS THE ENERGY DIALOGUE WITH RUSSIA

6. ACKNOWLEDGES the important role of market players while noting the contribution of the projects of "common interest", identified by the dialogue so far, to addressing the EU demand for energy and to the further development and enhanced efficiency of the Russian energy sector;
7. REAFFIRMS the importance of long term contracts, which remain a key contribution to the EU security of supply as well as a necessary guarantee in many financial ventures in Russia and should be concluded and implemented in a manner consistent with Community law, and the urgency of finding a solution as regards destination clauses;
8. REITERATES that the EU Russia energy dialogue and the Energy Charter process are mutually supportive and complementing each other, the most important issues under this process being the ratification by Russia of the Energy Charter Treaty and the finalisation of the negotiations on the Transit Protocol;
9. REAFFIRMS the joint statement adopted at the end of the EU-Russia Summit of October 2001 in which both parties stressed their common belief that implementation of the Kyoto Protocol may help not only to reduce greenhouse gas emissions, but also to increase European investment in the energy sector in Russia in order to improve its energy efficiency and economic performance, and therefore URGES Russia to ratify the Kyoto Protocol in due time before the World Conference on Climate Change in Moscow opens on 29 September;
10. UNDERLINES the necessity to move forward on the questions of reciprocity in market access and environmental and nuclear standards;
11. TAKES note of the Commission proposal for a Council Decision issuing directives to the Commission for the negotiation of a Cooperation Agreement between Euratom and the Russian Federation in the field of trade in nuclear material;
12. AGREES that, further to the third Progress report of the energy dialogue, the practical realisation of projects of common interest needs to be facilitated; STRESSES the need for better geographical balance between projects of common interests especially between the northern and the southern part of Europe, taking into account the impact of the EU enlargement on the security of its energy supply; and UNDERLINES the importance of improving the legal framework of energy production and transport, including environmental aspects of the transport of oil, as well as the importance of creating a favourable climate for investments;

13. URGES the Commission to come forward with proposals/a communication on further work, including as concerns basic guidelines for a future partnership in energy;

II. AS REGARDS EURO-MEDITERRANEAN CO-OPERATION

14. WELCOMES the progress achieved by the three thematic ad-hoc Groups created within the scope of the Euro-Mediterranean Energy Forum³, in particular with respect to the following:

- Guidelines and priority actions within the framework of security of supply, notably with respect to the development of networks and interconnection (TEN), to reform of energy market policies to create a climate encouraging long-term investment, to enhancing the energy dialogue between producer, transit and consumer countries especially by means of increased participation of Mediterranean Partners,
- The promotion of competition, in particular regulatory aspects and the opening of energy markets, and the improvement of framework conditions to boost private energy investment for further development of interconnections and further exploitation of renewable sources of energy,
- National and regional development and investment prospects in the electricity and gas sectors,
- Energy perspectives for the longer term (2010-2020), taking into account the need to meeting growing demand in all Member States, the definition of energy demand scenarios and projections, as well as the environmental impact of the projected tripling of CO₂ emissions is concerned, and practical routes to harmonising existing planning and analysis tools in use throughout the Mediterranean Partner countries;

15. WELCOMES the intention of those Mediterranean Partners who have not yet acceded to accede to the Energy Charter Treaty and ENCOURAGES them to make progress in fulfilling the conditions of accession to the Energy Charter Treaty;

16. TAKES note of the emphasis placed by the High Level meeting of the Euro-Mediterranean Energy Forum on 29 April 2003, on the following key areas:

- Security of supply (i.a. means of improving producer-consumer dialogue, development and strengthening of interconnections and energy infrastructures),
- Competitiveness (i.a. regulatory aspects and the opening of the markets, infrastructure financing),
- Protection of the environment (i.a. promotion of energy efficiency and renewable energy sources in a cost-effective way, taking into account the use of new technologies and the environmental dimension of infrastructures);

17. SUPPORTS the objectives of the Euro-Mediterranean Conference of Energy Ministers in Athens on 20/21 May 2003, i.a. to assess the achievements of the Euro-Mediterranean Partnership, the work carried out by the three ad-hoc Groups over the last two years, and to outline the framework of a new Euromed Energy Priorities' Plan 2003-2006 ; WELCOMES in this context that the incoming Italian Presidency will host the next Euro-Mediterranean Energy Conference in Rome in early December 2003;

³ Economic Analysis ad-hoc Group, Energy Policy ad-hoc Group, Interconnections ad-hoc Group.

III. AS REGARDS THE ENERGY DIMENSION OF SOUTH EASTERN EUROPE

18. NOTES the "Memorandum of understanding on the regional electricity market in South East Europe and its integration into the European Union internal electricity market - the Athens memorandum 2002" and the road map contained in the Commission's "Strategy paper on the regional electricity market in South East Europe and its integration into the EU internal electricity market" as a successful outcome of the Ministerial Conference on the energy dimension of South-East Europe, held in Athens on 15 November 2002; RECOGNISES in this respect the major contribution of the donors ⁴ in creating the conditions that permit the objectives of this Memorandum to be achieved;
19. NOTES with appreciation the Commission benchmarking report on electricity market opening in candidate countries and countries of the South East Europe (doc. 8450/03);
20. WELCOMES the information on the recent positive developments, under the Stability Pact framework, regarding the regional energy market of South-East Europe, including Turkey, given at the Informal Energy Ministerial Meeting in Thessaloniki (22 February 2003);
21. ACKNOWLEDGES the European Parliament support to this process;
22. UNDERLINES, in accordance with the discussions of the Informal Energy Ministerial Meeting in Thessaloniki,
 - The importance of pursuing the development of the energy dimension of South-East Europe in establishing open, reliable and competitive markets, through i.a. the reconstruction and expansion of the necessary electricity and gas interconnections and energy investments ,
 - The support to the Commission's initiatives in bringing forward the new approach for neighbouring States ,
 - That the energy dimension of South-East Europe, together with the Northern Dimension and the Euro-mediterranean energy co-operation, constitute a flexible framework for regional energy co-operation and contribute to the creation of an area of political and economic stability, growth and prosperity and social cohesion,
 - That the development of the South-East energy dimension can constitute a model framework for other similar regional energy co-operation initiatives under way;
23. RECOGNIZES the need to find a suitable framework for the further integration and operation of this energy market, taking into account the different relationships of the countries concerned with the EU and the legal certainty requested by investors;
24. AGREES that the strengthening of co-operation with South-East Europe in the energy field should focus on the following aspects:
 - Re-enforcement of regional energy co-operation in the South East of Europe, development of interconnections of regional interest within the region, as well as security of transit to/through neighbouring markets,

⁴ These donors are: EIB, EBRD, World Bank, USAID, CIDA, KfW, NOVEM, EdF, Greece, Italy, Switzerland, Czech Republic, UK.

- Closer dialogue with industry, including as regards measures to enhance corporate governance in accordance with international standards and promote transparent energy sector reform in order to ensure the long-term viability of the sector,
- Market liberalisation, infrastructure completion and interconnection,
- Development and strengthening of the environmental dimension and sustainable development in the energy field;

25. LOOKS forward to forthcoming meetings such as the Regional Gas Market Forum in Istanbul in June and the second South East Europe Energy week in Sofia in October which should contribute to strengthening interconnection of energy markets and securing a reliable environment for investments in electricity and gas trade, within the region and between the region and the EU.

IV. AS REGARDS THE NORTHERN DIMENSION

26. STRESSES the relevance of the implementation of the Action Plan for the years 2000-2003 on relations with neighbouring countries, also with a view to enlargement, and UNDERLINES in particular the Trans-European energy networks' possible contribution to connecting separate networks and improving exchanges in energy;

27. RECALLS the results of the third Foreign Affairs Ministers Conference on the Northern Dimension, held in Luxembourg on 21 October 2002, and welcoming i.a. the Commission's intention to present shortly to Member States a new draft Action Plan on the Northern Dimension for the period 2004-2006; SUPPORTS in this context the guidelines set by the GAER Council on 22 October 2002 in Luxembourg, which, with regard to energy, state that the new plan should promote, amongst other things, efficient production, distribution and the use of energy;

28. UNDERLINES the important role played with regard to the Northern Dimension by the Baltic Sea Energy Co-operation BASREC; WELCOMES in this respect the outcome of the meeting of Baltic Sea States Energy Ministers and the European Commission (organised by the Nordic Council of Ministers, Lithuania and Finland) in Vilnius on 19-21 November 2002 on energy issues relevant to the Northern Dimension as regards energy and gas markets, climate change, energy efficiency and bio-energy;

29. INVITES the Commission to note the new mandate and work plan of BASREC for the years 2003-2005 in implementing its new ND action plan for the years 2004-2006;

30. NOTES furthermore the input to the implementation of the New Action Plan 2004-2006, given by the regional co-operation organisations in Brussels on 7-8 March 2003 and the Second Northern Dimension Forum organised by the EESC (with the participation of the Council of Baltic Sea States and representatives of the organised civil society) in Brussels on 19 March 2003;

V. AS REGARDS THE FOUR RELATIONSHIPS

31. NOTES that existing programmes, such as MEDA, TACIS, CARDS, PHARE, together with bilateral, regional and international programmes, contribute strongly to energy sector development in these regions;

32. STRESSES the importance of improving the co-ordination between the various programmes and the co-operation between all Parties concerned, including international financial institutions, in view of harmonising actions undertaken within those programmes for enhancing security of supplies and strengthening the future enlarged internal energy market;
33. NOTES the potential of the Energy Charter Treaty for contributing to the improvement of investment conditions in the energy sector in third countries;
34. In relation to the environmental dimension of these relations WELCOMES the planned International Conference on renewable energies, to be organised by Germany in 2004."

OTHER BUSINESS

– LIBERALISATION OF ELECTRICITY AND GAS MARKETS

At the request of the Commission, Ministers reviewed at lunch the state of ongoing informal discussions between the Presidency, the Commission and the European Parliament on the draft directives aimed at accelerating the liberalisation of the Community's electricity and gas markets. They reaffirmed the high priority given by the Council to rapid adoption of this legislation in the interest of European citizens and businesses.

ITEMS APPROVED WITHOUT DEBATE

SOCIAL POLICY

Extension of social security provisions to third-country nationals

(Doc. 15040/02)

The Council adopted a Regulation aimed at extending to third-country nationals, currently excluded on account of their nationality, the provisions of Regulation 1408/71/EEC on the application of social security schemes to employed persons and their families moving within the Community.

The proposal⁵ is aimed at granting rights as similar as possible to those enjoyed by Union citizens to third-country nationals legally resident in the Community who satisfy the other conditions provided for in Regulation 1408/71/EEC. It follows on from the request made by the Tampere European Council (October 1999) for the status of third-country nationals to be approximated to that of Member State nationals.

The text adopted by the Council is based on the political agreement reached at its session on 2-3 December 2002 (see press release 14892/02).

⁵ The proposal is based on Article 63 (4) of Title IV (visas, asylum, immigration and other policies related to free movement of persons) of the Treaty establishing the European Community. Under the 1997 Protocol on the position of Denmark, legal acts based on Title IV do not apply to Denmark.

EXTERNAL RELATIONS

Romania – Association Council on 19 May 2003

(Doc. 9150/03)

The Council approved the position of the European Union for the ninth EU–Romania Association Council to be held on 19 May 2003 in Brussels, including the main elements of the key statements to be made by the Presidency and by the Commission at the meeting.
