



COMMISSION OF THE EUROPEAN COMMUNITIES

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COM(96) 431 final

96/0218 (CNS)

Proposal for a

COUNCIL DECISION

**Concerning  
the Organisation of Cooperation Around Agreed Community Energy Objectives**

(presented by the Commission)

## Explanatory Memorandum

### Introduction

1. Energy has always played an important role in the development of the Community; indeed two out of the three founding Treaties of the Community focused on energy. The vital importance of energy for the economic and social well-being and security of a modern industrialised economy was brought home again by the two oil shocks in 1973/74 and 1979/80 which had far reaching structural economic effects particularly on the energy sectors of the Member States. Measures to ensure a coordinated response to external shocks were put in place and there was a greater cooperation on energy matters at Community level but the failure to establish a comprehensive Community energy policy resulted in each of the Member States adopting its own solutions to its energy supply and demand situation. The Community is still living with this situation in the energy sector and it still has to be reconciled with advances in the political and economic integration of the Community.

### Policy Developments

2. A number of developments in the Community, as well as external forces such as globalisation of the world economy deserve particular attention in an evaluation of the present situation with respect to a Community energy policy. In the mid-1980's, the Community through the Single Act set about the creation of a vast single market in which energy must be included. Indeed, the establishment of an internal energy market and its smooth functioning is an essential element for the success of the internal market and for the attainment of the Community's general economic objectives.
3. More recently, the Treaty of the European Union (TEU) gave new responsibilities to the Community of which the objective of greater economic and political union and in particular the establishment of Economic and Monetary Union (EMU) is of particular importance. In the process of economic convergence which is essential for achieving EMU, energy, due to its strategic nature and indispensable character for economic growth and welfare, will need to play an important role. The TEU also recognised that environmental considerations which had emerged at the top of the political agenda in response to increasing concerns of the general public need to be integrated into the economic and social development of the Community. Energy, which is a key factor in the achievement of sustainable development, cannot be treated as a residual if all the environmental challenges both local and global are to be met. As regards the contribution energy can make to the Community's overall competitiveness, the Treaty, in particular Article 130(3), enables the Community to propose measures that will contribute to supporting the competitiveness of the Community's industry. This provision, particularly in view of the proper working of the Community's internal energy market, has important implications for the design and implementation of a Community energy policy framework.
4. Finally, the Community is developing in a world that is becoming more and more interlinked and interdependent, particularly after the end of the cold war. The Community has developed important international responsibilities, particularly through its network of bilateral and multilateral agreements. Nevertheless, it needs to give more attention to the energy aspect of

its external relations if it is to find solutions to problems stemming from its large and growing external energy dependency and the fact that many energy issues, particularly those related to the environment, have an international dimension.

#### Justification for Proposal

5. In this context the Commission felt that it was necessary, and urgent, to relaunch the debate on the possible future shape of a Community Energy Policy. The publication of the Green Paper "For A European Union Energy Policy" at the beginning of 1995 launched an intensive debate with all concerned actors in the energy sector, other Community Institutions and the Member States on this subject. On the basis of the results of this debate, the Commission adopted the White Paper "An Energy Policy for the European Union" on 13 December 1995 which represents an important milestone in the development of an energy policy framework at the Community level. This White Paper presents the Commission's views on how energy policy at the Community level should develop. The White Paper sets out detailed arguments on why putting in place a Community energy policy framework is necessary if overall Community objectives are to be achieved. The aims of the attached proposal is to set out broadly-based Community energy objectives, to establish a framework for cooperation around these agreed energy objectives. This position is supported by the Resolution of the Energy Council of 7 May 1996 on the White Paper which "considers that the agreed common energy objectives identified in the Resolution on the Green Paper should be implemented at Community level and invites the Commission to put in place a process of cooperation between the Community and Member States in order to ensure that Community and national energy policies are compatible with these objectives".
6. Arguments for a more coherent approach to energy policy at the Community level were also advanced in the Commission's report to the IGC on Civil Protection, Tourism and Energy (SEC(96)496 final). This report underlined the need for a better utilisation of existing instruments in the energy sector so as to ensure overall coherence. It indicated that it is not asking for new powers but that in its view either a consolidation of existing legal bases in the Treaties in a single chapter or an Energy Chapter in the Treaty could be ways of achieving this end.
7. In the past, Community energy policy initiatives set sectoral objectives for the Community. Such objectives quite correctly reflected the concerns of the period, in particular over-dependence on one fuel source and it became clear that such objectives were of limited usefulness as they were soon overtaken by events. Moreover, such objectives while they fostered increasing cooperation at Community level based on a growing interdependence, were not fashioned to respond to the increasing economic integration of the Member States and the need for, in many instances, a Community response to energy issues that were constantly evolving.

#### Proposed Action

8. A key element of this proposal is the establishment of a list of agreed Community energy objectives. On the basis of past experience, it would be inappropriate to establish rigid sectoral energy objectives; the focus should be more on the energy cooperation policy process. The aim is not to put national energy policies into a Community straightjacket but

rather to ensure that national energy policies and measures are consistent with agreed Community energy objectives. The energy sectors of the Member States will continue to reflect resource endowment, policy choices and social and economic conditions, indeed this diversity can be seen as a strength but it must be consistent with internal market obligations, environmental goals etc. that are defined in common at Community level.

9. A list of energy objectives based on the White Paper "An Energy Policy for the European Union" is set out in the draft decision establishing a Community energy policy framework. This list of objectives sets out broad general policy guidelines covering, inter alia, competitiveness, environmental protection, security of supply, external energy relations and the promotion of energy efficiency and renewables which have been periodically endorsed by the Member States, and most recently in the Council Resolution on the White Paper at the May 7 Energy Council. Mention is also made of the major Community instruments that can contribute to the achievement of these objectives.
10. Quantitative targets were considered for energy efficiency and renewables but in spite of their attractiveness there were sound reasons for not adopting such firm objectives. As regards energy efficiency this represents one of the most cost effective and environmentally benign energy "resources" available. In the 1970's and 1980's the Community benefited from major energy savings, particularly in the industrial sector, where following the oil shocks structural changes and rising fuel prices prompted industries to develop and implement more efficient process techniques. However, it is difficult to establish a precise policy indicator which encapsulates efficiency gains in a single figure for the Community. Traditional measures of energy efficiency, energy intensity indicators, can vary considerably due to shifts in cyclical economic activity and, it is also difficult to identify efficiency gains resulting from public policy changes (fiscal, regulatory, incentive) from those resulting from advancing technology and capital stock replacement particularly in the power generation sector. Energy efficiency gains also vary substantially across sectors. For these reasons it was thought best not to set a precise quantitative target for energy efficiency. The focus of policy should be on how to achieve regular and cost effective efficiency improvements and this message is reflected in the objective on energy efficiency.
11. Particular attention has been given to the objective of new and renewable energies. It is recognised that these innovative energy sources need a kickstart through public sector support in order to gain market acceptance and their commercialisation so that subsequently they can enhance the Community's competitiveness, create jobs, reduce reliance on external energy sources and improve the environment. The analysis presented by "European Energy in 2020: A Scenario Approach" shows that in the EU the use of renewables is currently quite low - +/-5% of primary energy production in the EU - compared to other parts of the world. There is therefore scope for increasing this share. Although in the medium term the challenge will be to realise the potential of renewables in the face of very attractive fossil fuel costs. The Madrid declaration on the promotion of renewable energies indicated that a renewables could account for 15% of primary energy production by the year 2010 provided appropriate policies are pursued and so could provide a useful benchmark. In this context, it seems worthwhile establishing an ambitious global Community objective for renewables which could be inspired by this declaration.

12. In order to achieve the agreed energy objectives the Commission will monitor how Community energy actions have contributed to supporting measures taken in Member States and how this contributes to achieving agreed objectives. This would be done on the basis of Commission reports which would examine to what extent national energy policies and Community policies are consistent with each other. The reports would be submitted to the Council and provide the basis for an in-depth examination of energy developments in the Union at Ministerial level. In order to assist the Commission in this task a Committee consisting of Member States representatives will be established. In such a framework of policy cooperation, Community and national energy measures can be given the necessary transparency so that Member States energy choices can be reconciled.
13. The establishment of an energy cooperation framework around agreed energy objectives will facilitate the implementation of certain Community energy policy actions. The Commission will seek to ensure that the Community's energy measures are compatible with these agreed objectives and in support of measures taken in Member States. Member States will be able to ensure that the energy choices they have made and the priorities they have established in their own energy sectors are compatible with the agreed Community objectives.
14. This framework will provide for continuing work in the energy field which currently underpins discussions and evaluation of energy policy development in the Member States and the Community. The Council Resolutions on the White and Green Papers regarding the development of Community methods of analysis point to the need for taking a long-term cooperative approach with Member States, industry and research centres in order to promote exchanges of information and experience, to identify issues of Community concern and to transfer best analytical practice. This shared approach to agreeing on the different elements will foster the development of partnership-based relations between the Commission, the Member States and the other players in the energy sector and result in a work programme which is relevant to the wider energy community. The initiative will contribute to the development of coherent energy analysis procedures, which in turn will help to highlight the key issues in relation to the three pillars of energy policy namely, competitiveness, environment and security of supply.

### Conclusions

15. In conclusion, the Commission believes that this cooperative framework on energy matters can be a valuable tool in achieving agreed policy goals and ensuring coherence between the various policies pursued by the Member States and the Community. As well as providing a key instrument for consultation and cooperation on energy matters between the Commission and the Member States this process will be the vehicle for the Commission to support actions taken in Member States. A timely implementation of the attached proposal for establishing this framework is necessary in order to ensure that the necessary transparency of Community energy actions, mapped out in the Indicative Work Programme, annexed to the White Paper "An Energy Policy for the European Union", as well as national ones are achieved.

**COUNCIL DECISION**

**Concerning  
the Organisation of Cooperation Around Agreed Community Energy Objectives**

**THE COUNCIL OF THE EUROPEAN UNION**

Having regard to the Treaties, and in particular Article 130(3) of the Treaty establishing the European Community,

Having regard to the proposal from the Commission,<sup>(1)</sup>

Having regard to the opinion of the European Parliament,<sup>(2)</sup>

Having regard to the opinion of the Economic and Social Committee,<sup>(3)</sup>

Whereas, at the Energy Council of 7 May 1996, the Council, in its Resolution on the White Paper "An Energy Policy for the European Union", invited the Commission to put in place a process of co-operation between the Community and the Member States in order to ensure that Community and national energy policies are compatible with agreed common energy objectives;

Whereas, this process needs to be placed in the context of a shared analysis of the energy situation and of future trends through cooperation at the Community level between Member States on energy studies;

Whereas the promotion of the internal energy market being a priority task for the Community and the Member States, it is important for the internal energy market that energy trends and issues be analyzed at the Community level, through cooperation with the energy sector and by mobilising all the local, regional, national and Community elements concerned;

Whereas, this process of cooperation, with due regard to the principle of subsidiarity, must ensure a maximum of coherence and convergence in relation to agreed energy objectives if the Community's economic and environmental policy goals are to be achieved;

Whereas, the Community has a wide range of competencies in the energy sector under the existing Treaties but there is still no comprehensive energy policy framework;

Whereas, the RTD Framework Programmes based on the EC Treaty and the Euratom Treaty ensure the development of new energy technologies related to the non-nuclear and nuclear energy;

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<sup>(1)</sup> OJ N° C...

<sup>(2)</sup> OJ N° C...

<sup>(3)</sup> OJ N° C...

Whereas, without prejudice to the existing responsibilities of Member States as regards their own energy sectors, the White Paper proposes a new approach to energy policy cooperation around agreed energy policy objectives and a new approach to monitoring energy trends, in cooperation with the Member States, which would add value by pinpointing and encouraging best practices, by promoting a cooperative approach to energy studies and analysis and by exchanging relevant experience;

Whereas, a firm commitment to Community energy objectives by Member States requires effective cooperation at Community level to ensure that both national and Community energy policies contribute to their attainment;

Whereas, in the framework of this cooperation, the Commission needs to have regular and appropriate information from Member States so that it can establish periodic reports on the extent to which Member States' energy policies and Community actions contribute to Community energy objectives;

Whereas these periodic reports that evaluate energy developments in a global manner will provide the basis for an examination of energy developments in the Council and for the Commission to make appropriate new legislative proposals;

Whereas, in order to take account of the changing energy situation the Community, on the basis of a Commission proposal, needs to examine periodically, and where necessary to update the agreed common objectives;

**Has decided as follows:**

#### *Article 1*

A framework for energy cooperation between the Community and the Member States is hereby established around agreed Community energy objectives which are set out in annex, and which, while constituting specific measures in support of actions taken in the Member States, will notably contribute to:

- achieving a high level of competitiveness in the Community;
- increasing security of supply;
- protecting the environment,
- promoting the rational and efficient use of energy resources and new and renewable energy;
- promoting international energy cooperation and liberalisation;
- ensuring transparency of national and Community energy policy actions;
- developing an analysis and monitoring of the energy market.

## *Article 2*

1. In order to achieve the agreed energy objectives described in Article 1, the Commission will ensure the following:
  1. the monitoring of the impact of agreed common energy objectives of energy policy developments in Member States and of the evolution of the global energy situation in view of a possible adaptation of the common energy objectives set out in annex;
  2. the scrutiny of Community and national actions in the energy field and the exchange of best practices;
  3. the monitoring, evaluation and exchange of energy related information on all aspects of energy activity;
  4. the development of cooperation and linkages in the energy field;
  5. the encouragement of the broad dissemination of the results obtained from the measures in 3 and 4.
2. The Commission will examine the necessity of specific Community actions in support of measures taken in the Member States;

## *Article 3*

1. The Commission shall be informed annually of the measures taken by Member States for achieving the agreed common energy objectives referred to in the annex and on any other measure relevant to these objectives.
2. The Commission will prepare on the basis of the information obtained, where appropriate, a report in the form of a Communication, on the compatibility of energy policies in the Member States and Community actions in the energy field with the agreed common energy objectives. This report shall be forwarded to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions;

## *Article 4*

This Decision shall enter into force on.... ;

## *Article 5*

This Decision shall be published in the Official Journal of the European Communities.

Done at Brussels,  
For the Council,  
The President



**AGREED COMMON ENERGY OBJECTIVES**

1. Energy policy at the Community level should contribute to the achievement of the various energy objectives set out in the Treaties notably, market integration, sustainable development, environmental protection and security of supply.
2. The integration of the Community energy market, based on the principle of open and competitive markets, is essential for achieving flexibility, efficiency and long-term security in the energy sector. Integration should take into account the diverse energy mix of the Member States, both fossil and non-fossil, and enhance economic and social cohesion particularly through the development of trans-European networks.
3. Transparent and undistorted energy prices with the aim of ensuring that markets for all fuels in the Community work efficiently and are fully competitive.
4. In order to achieve the Treaty objective of sustainable development, energy and environmental objectives need to be integrated. Wherever possible the full cost of energy production and consumption should be reflected in the price. Economic non-fossil fuels such as renewables and nuclear incorporating the highest safety standards, can make an important contribution to this goal.
5. The strengthening of security of supply through improved diversification and flexibility of domestic and imported supplies, by developing environmentally sound indigenous energy resources and by ensuring energy have the ability to respond quickly and flexibly to supply emergencies, notably with respect to oil and gas.
6. A coordinated approach to external energy relations in order to ensure free and open trade and a secure framework for energy investments. Co-operation with non-member countries should be developed to enhance energy security, to achieve environmental goals and to stimulate the development and dissemination of appropriate energy technologies to third countries.
7. The promotion of renewable energy resources through supportive measures at both Community and national level with the aim of achieving for this fuel a significant share of primary energy production in the Community by 2010.
8. A significant improvement in energy efficiency in the Community by the year 2010 through an improved coordination of both national and Community measures.

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In order to contribute to the achievement of the above objectives the Community will use the large range of instruments in the energy sector that are available to it, notably

- research and development and the dissemination of new and improved energy technologies,
- harmonising the fiscal structure on energy products to avoid distortions,
- applying the competition rules of the Treaties with a maximum of transparency and consistency,
- standardisation in the energy sector,
- monitoring of the internal market,
- instruments for cooperation and assistance with third countries,
- development of cost-effective instruments for limiting the negative environmental side effects of the production, transport and use of energy.

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# DOCUMENTS

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