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[Governance of the Energy Union – Council agrees general approach](#)

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On 18 December, the Council agreed on a **general approach** (negotiating position) on a regulation setting out the system for the governance of the Energy Union which integrates, climate and energy planning into a single framework.

The regulation, which is part of the clean energy package, establishes a cooperation and control mechanism to oversee the **implementation of the 2030 EU climate and energy policy objectives and targets**, in particular those regarding renewables, energy efficiency, interconnections and greenhouse gas emissions.

The new rules will, above all, ensure long-term policy coherence and stability in the climate and energy sector, provide certainty to investors and enhance coordination between member states.

“The debate in the Council has shown the determination of all member states to create a resilient Energy Union. Today’s agreement is its cornerstone, providing robust rules, an effective framework for implementation and is future-proof. Energy and climate goals are two sides of the same coin and it is crucial to look at them together, to make sure our policies are coherent.”

Kadri Simson, Minister of Economic Affairs and Infrastructure of the Republic of Estonia

Following in-depth discussions on the Commission’s proposal, the Council has included the following **main elements** in its position:

National energy and climate plans

Member states will submit integrated **national energy and climate plans**, presenting their objectives, policies and measures in all five areas of the Energy Union, including greenhouse gas emissions reduction targets. These plans would cover the period 2021-2030 and would be renewed every 10 years.

Tracking the renewable energy target achievement

Three benchmarks were adopted to the **indicative renewables trajectory** for member states to ensure the EU achieves its renewables’ target of 27% by 2030. These milestones are 24% in 2023, 40% in 2025 and 60% in 2027 applicable at both EU and member state levels. These values are calculated on the basis of the 20% renewables target set for 2020 as the starting point (“0%”) and the 27% 2030 target as the end point (“100%”). This will guarantee that all EU countries make a constant and incremental contribution towards the final goal.

An ‘**iterative** process’ between member states and the Commission forms the cornerstone of the governance process. In this process, member states submit draft plans, final plans and progress reports, and the Commission can react to them. Namely, the ‘**gap-filler mechanism**’, proposed by the Commission, is retained in the Council text as the way to address and close possible gaps of delivery in member states. The cause of these gaps could either be that planned national renewable energy contributions of EU countries do not add up to the planned EU targets, or **inadequate achievement** of the contributions that the member states have planned.

A list of **objective criteria** is included to assess the initial level of ambition of member states in their planned contribution for 2030. The Commission will use these criteria to identify which EU countries are facing an ambition gap and, on the basis of that analysis, can issue non-binding recommendations to increase their voluntary contribution of the member states to meet the EU-level target.

Member states must continue to meet and maintain their binding **2020 renewable energy target** by and beyond 2020. If a country was to drop below its **2020 baseline**, it would be obliged to take additional measures within one year to close that gap.

Internal energy market

The Council strengthened measures to facilitate the achievement of the interconnections target for all member states and introduced key criteria to assess the need for increased interconnection capacity.

Reporting

Member states will submit integrated **national energy and climate progress reports** every two years. The Commission will monitor progress and assess the need for recommendations, which may trigger additional measures to be taken at national or EU level.

On 30 November 2016, the Commission submitted the **clean energy package**. Its eight legislative proposals, including governance of the Energy Union, aim at implementing the 2015 strategy for an Energy Union with a forward-looking climate policy.

The package as a whole was presented at the Energy Council meeting of December 2016. EU ministers had a first **exchange of views** on the entire package in February 2017 and assessed the **progress made** on governance, renewable energy and the electricity market design in June 2017.

At the **European Parliament**, the ITRE and ENVI committees adopted the report regarding governance on 7 December 2017. It will be put to a vote during the Parliament's January 2018 plenary session.

Following today's agreement, the Council is ready to **start negotiations** with the co-legislator in the new year.

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Creating a modern electricity market – Council agrees its position

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On 18 December, the Council agreed its **negotiating position** (general approach) on a regulation establishing the framework for an **internal electricity market** across the EU.

This regulation is one of the legislative proposals of the clean energy package and is the cornerstone of the **redesign of the electricity market**. It revises the rules and principles to ensure a **well-functioning, competitive and undistorted** electricity market with the aim of enhancing flexibility, decarbonisation and innovation.

In so doing, it will help the EU transition towards a low-carbon economy and meet the **objectives of the Energy Union**, in particular the **2030 climate and energy framework**.

“Electricity market design has been a priority for the Estonian presidency and I am extremely pleased that the Council has come to an agreement on this very important regulation where the member states have had very different views. I want to thank all my colleagues and their teams for helping us get here. EU electricity market has been transformed by digitalisation, renewables and active consumers and we need new rules to fit the new reality. With today’s decision, we have taken a huge step to make that happen.”

Kadri Simson, Minister for Economic Affairs and Infrastructure of the Republic of Estonia

This general approach means the Council will be able to enter into negotiations with the Parliament next year. These are the **central elements** of the Council’s position:

In line with the Commission’s proposal, there are new rules to ensure appropriate conditions for **electricity trading** within different timeframes, but with a definite aim to bring trading closer to the real-time. This will allow higher share of renewables production in the energy systems. The new rules on **dispatching and balancing responsibility** will limit the distortions on the market allowing less exemptions compared to now.

The principles for establishing **‘bidding zones’**, in other words electricity trading areas, are more clearly defined. The rules on capacity allocation as specified in the Commission’s proposal require maximum capacity to be allocated to the market participants on the border of a bidding zone. In the Council text, a **benchmark level** of maximum capacity is established on the border and must be respected. Countries below the benchmark level will need to start implementing remedial actions or reconfigure the bidding zones. A **deadline** has been introduced for the entire process, and the Commission is given the opportunity to intervene if the benchmark has not been met by then.

Installations will continue to be rewarded for making electricity generation capacity available through **capacity mechanisms** to cope with peak demands. To ensure the smooth functioning of the internal market, the rules for these mechanisms must be harmonised. The Council position sets out the design

principles for capacity mechanisms as well as arrangements for their implementation. An important element is that new installations will be eligible to participate after 2025 only if their emissions are below 550gr CO₂/kWh or below 700 kg CO₂ on average per year per installed kW. Also there is a limit for participation for existing power plants which cannot receive payments after 2030 and the payments need to decrease after 2025.

A **European adequacy resource assessment** will be created and used as a basis for decisions on capacity mechanisms along with the national ones.

According to the general approach, by 2025 the Commission will draw up a report evaluating which elements of existing network codes could be included in EU acts concerning the internal electricity market. Amendments to the network codes will be possible up to the end of 2027.

Additionally, the general approach supports the establishment of a European entity of **distribution system operators** and strengthens the role of **regional security coordinators**, defining their geographical scope and concrete tasks.

Timeline and next steps

On 30 November 2016, the Commission submitted the **clean energy package**, including a legislative proposal for a revised regulation on the internal electricity market.

The package as a whole was presented at the Energy Council meeting of December 2016. EU ministers had a first **exchange of views** on the entire package in February 2017 and assessed the **progress made** on electricity market design, governance of the Energy Union and renewable energy in June 2017.

Today's general approach enables the Council to **start negotiations** with the European Parliament as soon as it adopts its position on the file.

Background

The Commission presented the '**Clean Energy for all Europeans**' package on 30 November 2016 aiming at implementing the 2015 strategy for an Energy Union with a forward-looking climate policy.

Four of the eight legislative proposals in the package seek to redesign the internal electricity market of the EU. In addition to this regulation, it includes a revised directive on **common rules for the internal market in electricity**, a revised regulation on a **European Agency for the Cooperation of Energy Regulators** (ACER) as well as a proposal for a new regulation on **risk-preparedness** in the electricity sector.

The new electricity market design will facilitate the transition to a **low-carbon economy** by addressing factors such as increasing inflows of renewables, subsidy schemes, network access rights, storage solutions and regional cooperation.

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