



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from : General Secretariat of the Council
to : Council

Subject : **TTE (ENERGY) COUNCIL ON 23 NOVEMBER 2006**
Any other business
a) International relations in the field of energy:
- EU-Russia
- Energy Community Treaty
- Energy Charter
- Other cooperation with third countries
= Information by the Presidency/Commission
b) Energy Star
= Progress report

A. In relation to the heading "**International relations in the field of energy**", delegations will find below the following background information:

1. EU-Russia

The EU-Russia Permanent Partnership Council (PPC) on Energy (originally scheduled to take place on 21 November) is still expected to take place during the Finnish Presidency. For this meeting, reports - which include recommendations - of the four Thematic Groups were prepared. The Thematic Groups consist of representatives of governments, industry, the Commission and international financial institutions, and cover investments, infrastructures, trade and energy efficiency.

The four reports were drawn up in order to further improve the EU-Russia energy relationship in practical terms, and will be presented to the EU-Russia Summit which will take place on 24 November. The EU-Russia Summit will furthermore take note of a progress report on the Energy Dialogue, and is scheduled to launch negotiations on a new EU-Russia Agreement, intended to replace the current Partnership and Cooperation Agreement (PCA). This new agreement is expected to contain a large section devoted to energy. The Working Party on Energy has discussed the section devoted to energy in the Commission's negotiating mandate.

2. Energy Community Treaty

The Energy Community Treaty which establishes a regional energy market between the EU and Croatia, Bosnia Herzegovina, Serbia, Montenegro, FYROM, Albania, Romania, Bulgaria and UNMIK (Kosovo) entered into force on 1 July 2006. The first meeting of the Ministerial Council under the Treaty took place on 17 November 2006. That Ministerial Council adopted *i.a.* a number of procedural acts with a view to ensuring the functioning of the Energy Community and its bodies. In view of their importance for security of supply as producing and/or transit states, the Ministerial Council also agreed to grant observer status to Moldova, Norway, Turkey and Ukraine. The objective of an integration of these countries into the Energy Community is in line with one of the priorities established by the June 2006 European Council, namely the expansion of the Community's internal energy market model, including by means of the expansion of the Energy Community Treaty.

3. Energy Charter

On 20 November 2006, the ECT annual Conference will take place. At that occasion, the successor to Chairman Henning Christophersen will be appointed: Mr. Takekazu Kawamura, ambassador of Japan to the EU, is thus expected to assume his functions as of 1 January 2007.

The Charter Secretariat will present a report on the series of bilateral unofficial expert meetings on the draft Transit Protocol which took place between the EU and the Russian Federation. These meetings were held during the first semester of this year, with a view to resolving outstanding issues; however it proved impossible to reach agreement on several key issues. The discussions in this format, being unlikely to reach the desired result, will be discontinued.

The Conference will furthermore note the intentions of Pakistan and Afghanistan to become members of the ECT (Pakistan became observer in December 2005, Afghanistan in August 2006).

4. Other cooperation with third countries

In the framework of the EU-OPEC Energy Dialogue, a Roundtable on Carbon Dioxide Capture and Storage took place in Riyadh, Saudi Arabia, on 21 September 2006. A joint study on investment needs in the refining sector will be launched shortly. On 4 and 5 December, a Workshop on the Impact of Financial Markets on the Price of Oil will be organised in Vienna.

The Euro-Mediterranean Energy Forum, held on 21 September in Brussels, reviewed the work done on the objectives for the period 2003-2006, and agreed on the priorities for the Euro-Mediterranean Energy Partnership for the period 2007-2010. It was furthermore agreed to hold a Ministerial Energy Conference in 2007-2008.

The inaugural EU-US High Level Dialogue on Climate Change, Clean Energy and Sustainable Development took place on 24-25 October in Helsinki as a follow-up to the June 2006 EU-US Summit, where the leaders agreed to establish this dialogue in recognition of the serious and linked challenges in tackling climate change, promoting clean energy and achieving sustainable development globally, and in order to further advance the Gleneagles G8 Plan. The meeting highlighted existing transatlantic cooperation on these issues and explored several potential areas for further cooperation. The HLD will meet annually.

The EU-Ukraine Summit, held in Helsinki on 27 October 2006, took note of a joint progress report on the implementation of the 2005 Memorandum of Understanding on energy cooperation (see press release 14604/06). Discussions in Council are underway on the negotiating mandate for a new Enhanced Agreement with Ukraine - the section devoted to energy being discussed by the Working Party on Energy.

Energy topics such as energy security, climate change prevention and technological cooperation on energy issues have been on the agendas of many meetings with third countries, including the EU-ASEM 6, EU-South Korea, EU-China and EU-India Summits which took place in September and October in Helsinki. Also the informal meeting of Heads of State and Government held in Lahti on 20 October focused on external energy relations.

Switzerland is a transit country for electricity, and the integration of the Swiss electricity market into the Community market on the basis of the Community *acquis* would result in a larger level competitive playing field in the electricity market, with obvious benefits for security of supply. Therefore, in October, Council authorised the Commission to open negotiations with Switzerland on a Protocol on electricity to the Agreement between the European Economic Community and the Swiss Confederation.

Work is still underway on the finalisation of a Memorandum of Understanding on the establishment of an energy partnership between the European Union and Algeria. Preparations have been completed for the Memoranda of Understanding for Strategic Partnerships in the field of energy with Azerbaijan and Kazakhstan. The MoU with Azerbaijan has already been signed on 7 November during the visit of President Aliyev to Brussels. The MoU with Kazakhstan is due to be signed during the visit of President Nazarbaev to Brussels on 3-5 December 2006. These MoUs are a response to the conclusions of the March and June European Councils which have underlined the importance of the EU enhancing relations in the energy sector with its main suppliers and transit countries, as well as extending the principles of the internal market to the ENP countries.

In the same vein, the Astana Ministerial Conference in the framework of the Baku Initiative on Energy Cooperation between the EU, the Littoral States of the Black and Caspian Seas and their neighbouring countries should be mentioned. This ministerial conference, which is due to be held on 30 November 2006 in Astana, Kazakhstan, will adopt a ministerial declaration containing a road map and priorities for regional energy cooperation.

It has to be noted that some of the above initiatives are taking place in the context of the European Neighbourhood Policy (ENP) that will be shortly reviewed.

The development of the EU's internal energy correspondents network is under way. The aim of the network is to monitor the external security of supply of the Union. It would collect, analyse and produce geopolitical and energy-related information to the Member States, and also function as an early warning tool in possible energy crisis situations.

B. Energy Star

At the beginning of October, the Commission presented to the Council a proposal for a Council Decision on the conclusion of an agreement between the EC and the US on the coordination of energy-efficiency labelling programmes for office equipment ("Energy Star"), together with a proposal for a Regulation implementing the agreement at Community level. The agreement will renew the already existing one which is now expiring after having been in place for five years.

Discussions in the Working Party on Energy on both proposals have advanced well. It has *inter alia* been agreed to integrate the new computer specifications recently approved by the Energy Star Board into the bilateral agreement with a view to bringing the agreement in line with the latest technological developments in the field of energy efficiency. The Presidency is working towards an adoption of the Decision on conclusion still before the end of this year, while the Regulation will be adopted later together with the European Parliament.