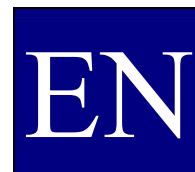




**COUNCIL OF
THE EUROPEAN UNION**



Council conclusions on economic aspects of EU energy and climate change issues

*3088th ECONOMIC and FINANCIAL AFFAIRS Council meeting
Brussels, 17 May 2011*

The Council adopted the following conclusions:

"The Council:

2050 Roadmap

- TAKES NOTE of the Commission Communication 'A Roadmap for moving to a competitive low carbon economy in 2050'; as a starting point for discussions on cost-effective pathways and appropriate milestones to 2050; STRESSES the importance of cost-effective pathways and milestones and RECOGNISES the importance of transitioning to a low carbon economy in driving sustainable growth and technological innovation, increasing energy security and the cost-effectiveness of energy supply, and making Europe a more competitive economy.
- EMPHASISES the severe budgetary constraints in most Member States and the importance to EU competitiveness of Member States following the most cost-effective pathway; STRESSES the significant investments required to move to a low-carbon economy and the need to consider all options to mobilise public and private finance, while taking into account Member State differences in investment capacities and the degree of low carbon technology deployment; RECOGNISES that innovative financial instruments can play an important role in leveraging private sector investments towards low carbon technologies, while further assessing the possible risks involved.

P R E S S

- UNDERLINES the economic implications for the EU of the level of emission reduction efforts undertaken by other major emitting nations and their increased investment in low carbon technologies; LOOKS FORWARD to the forthcoming Commission Member State-level analysis on moving beyond a 20% greenhouse gas emission reduction target for 2020; RECOGNISES the high level of uncertainty associated with such projections; STRESSES the need for further work on the main milestones of the most cost-effective pathway to 2050 and therefore INVITES the Commission to carry out further work including non-prescriptive cost-benefit analysis, including sector specific analysis and the consequences of flexibility between sectors, and the impact of climate policies with a range of assumptions about accompanying policies, while fully respecting Member State competence and the need for flexible and proportionate responses.

Energy infrastructure

- TAKES NOTE of the Commission Communication 'Energy infrastructure priorities for 2020 and beyond – a blueprint for an integrated European energy network'; RECALLS that the EU-wide energy market will be key to delivering our energy and climate change objectives; and STRESSES that the immediate point of departure must be to fully implement the 2nd and 3rd packages on delivering the EU internal market for energy in all Member States.
- RECALLS that the market must continue to play the main role in financing energy infrastructure investment, with costs recovered through tariffs; RECOGNISES that where clearly identified market failures are present, the first response has to be full consideration of measures to improve market functioning including as appropriate, planning reforms, adjustment of the regulatory framework, and the removal of inefficient subsidies for fossil fuels.
- NOTES that where the above options have been exhausted, and projects that would be justified from a security of supply/solidarity perspective, are unable to attract enough market-based finance, may require some limited public finance to leverage private funding; EMPHASISES that any contribution from public finance should be based on clear and transparent criteria, and supported by a full cost benefit analysis. STRESSES that every effort must be taken to ensure that market failures do not become government failures, and to avoid having a crowding out effect on private finance.
- RECOGNISES that, in certain cases, innovative financing instruments may help leverage private sector investment and may help maximise the impact of limited public finance; UNDERLINES that such instruments are not a panacea and may only help improve the risk profile of projects that already have a reasonable level of underlying commercial viability; NOTES that a careful assessment is needed of the risk that would be added to government balance sheets by the use of such instruments, and options to limit these risks; STRESSES that possible innovative financing instruments at EU level require further analysis regarding their effectiveness and that the possible use of these instruments would depend on consistency with Member States' budgetary rules.

Energy efficiency

- **RECALLS** that the 2020 20% energy efficiency target as reaffirmed by the June 2010 European Council, which is presently not on track, must be delivered; and **URGES** Member States to take determined action to fully tap the potential for cost-effective energy savings; however, **CONSIDERS** that proposals for binding national targets for energy efficiency would remove the flexibility needed to support a cost-effective approach to delivering overarching greenhouse gas emission reduction targets and **UNDERLINES** that subsidiarity and proportionality principles should be upheld in this regard.
- **NOTES** the Commission proposals put forward in the 8 March Communication 'Energy Efficiency Plan 2011'; **RECOGNISES** that further EU measures may present a cost-effective approach to delivering the 2020 20% energy efficiency target; but **STRESSES** that they should be limited to areas where there is clear justification and evidence of value-added, consistent with full respect of the subsidiarity and proportionality principles and the Commission Communication on Smart Regulation in the EU; therefore **UNDERLINES** the need for further assessment of the economic justification and the overall costs and benefits of annual refurbishment targets (by floor area) for public buildings at both the EU and disaggregated Member State levels and **STRESSES** the importance of flexibility at the Member State level.
- **HIGHLIGHTS** the need for further analytical work in the appropriate fora on the range of EU and Member State level policy instruments to achieve energy savings, as well as on possible interactions between different instruments used to achieve energy and climate policy objectives so as to maximize their combined efficiency and effectiveness."
