The Italian Presidency is committed to help in the implementation of the Roadmap for the adoption of the 2030 Climate and Energy framework. The Joint Informal Meeting of the Energy and Environment Ministers provides an opportunity in this respect.

The Session on the 2030 policy Framework for climate and energy aims at:

- providing Ministers with an update on progress towards the adoption of the 2030 Framework for Climate and Energy;
- allowing for a focused exchange of views.

The session will start with a debriefing by the General Secretariat of the Council, on behalf of the Cabinet of President Van Rompuy, about the state of play concerning the negotiations on the 2030 Framework.

Ministers will then have an opportunity to express their views.

In order to facilitate a focused exchange and to provide a valuable contribution to the 2030 debate, the Presidency encourages Ministers to address two specific questions in their interventions.

- **Electricity interconnection target**

In order to achieve the objectives of the 2030 Framework for Climate and Energy in a cost-effective way, an integrated internal EU energy market is of utmost importance. Increasing the level of electricity market interconnectivity will not only help to enhance solidarity among Member States and ensure security of supply, but also support the integration of increasing levels of indigenous renewable energy sources into the market at least cost.

In 2011 the European Council recognized the importance of having an internal energy market in place and set a clear deadline for its completion by end 2014, underlining that no EU Member State should remain isolated from the European gas and electricity networks after 2015. Besides, the European Council in March this year called for fuller use of the electricity generation capacity available on the internal market rather than relying on national capacities alone, while recognizing the role of Member States in ensuring security of supply;

In 2002 Heads of State or Government had already agreed on a 10% electricity interconnection target. This target is valid up to 2020. Nearly all Member States are on their way to achieve this target if the current Projects of Common Interest are implemented in time.

However, further market integration in line with the 2030 Energy and Climate framework requires additional steps for the reasons mentioned above. In the European Energy Security
Strategy adopted on 28 May and welcomed by the June European Council, the Commission proposed to extend the current 10% electricity interconnection target to 15% by 2030 while taking into account the cost aspects and the potential of commercial exchanges in the relevant regions.

The achievement of this target can be supported by identifying further Projects of Common Interest that will directly contribute to this target also beyond 2020. Such projects could be given priority in upcoming calls for funding from the Connecting Europe Facility, in case the projects cannot entirely be financed by the market. Such an approach would be comparable to the list of key security of supply infrastructure projects annexed to the Commission’s Communication on the European Energy Security Strategy.

Questions for Discussion

What is the most effective way forward to ensure an increase in the level of electricity interconnectivity in Europe consistent with the objectives proposed for the 2030 climate and energy framework?

– Redistribution mechanisms –

The analysis accompanying the 2030 climate and energy framework confirmed that achieving the 2030 objectives poses an investment challenge for Member States. In the energy sector there is already an urgent need to replace ageing power plants and infrastructure. Incremental costs to ensure these investments are less carbon intensive and are actually limited. But investment needs are larger in lower income Member States, while budget constraints and economic recession, limit the possibility to invest for others. The analysis also shows that such investment needs are relatively more important to deliver cost-effective energy efficiency improvements on the demand side, as well as in energy networks, both of which bring significant benefits in terms of energy security and further integration of the internal energy market.

In the current system, there is a need to tackle the investment challenge in certain sectors and Member States. So far this problem has been addressed by distributing a relatively larger share of allowances for auctioning to lower income Member States, of which at least half should be spent on climate related issues. Furthermore Article 10c of the ETS Directive foresaw for a number of lower income Member States that they could opt to allocate for free allowances from auctioning to their respective power sector provided matching investments into modernisation of electricity generation are undertaken. This free allocation is temporary and progressively decreasing, ending in 2019. However, concerns have been expressed whether these goals are achieved, and on distortions of competition in the internal energy market.

For the post-2020 period, we need to reflect if this type of funding streams have sufficiently addressed the real investment needs and whether their functioning can be improved, also to take into account results already achieved in traded sectors. Any new compensatory redistribution mechanism will need to learn lessons from the current system and ensure it manages to incentivise real investments in those parts of the energy sector that require it.
most, without distorting competition. This could benefit from external expertise and assistance for instance of the European Investment Bank, while also leveraging private sector resources.

**Question for discussion**

*What role do you see for compensatory redistribution mechanisms, including access requirements, to modernise the energy systems in the Member States.*