

MINUTES OF THE MEETING OF THE CHAIRPERSONS OF COSAC  
Limassol, Cyprus, 9 July 2012

**AGENDA:**

- 1. Welcoming address by Mr Averof NEOFYTOU, Chairman of the Standing Committee on Foreign and European Affairs, Cyprus *Vouli ton Antiprosopon***
- 2. Adoption of the agenda, procedural questions and miscellaneous matters**
- 3. Priorities of the Cyprus Presidency – guest speaker: Mr Andreas MAVROYIANNIS, Deputy Minister for EU Affairs**
- 4. Energy 2010 Strategy - Security of Supply – guest speaker: Mr Günther OETTINGER, European Commissioner for Energy**

**PROCEEDINGS**

IN THE CHAIR: Mr Averof NEOFYTOU, Chairman of the House Standing Committee on Foreign and European Affairs, Cyprus *Vouli ton Antiprosopon*.

Mr NEOFYTOU welcomed the following new Chairpersons: Lord Timothy BOSWELL, Chairman of the European Union Committee of the UK *House of Lords*; and Ms Danielle AUROI, Chair of European Affairs Committee, French *Assemblée nationale*.

**1. Opening address by Mr Averof NEOFYTOU, Chairman of the Standing Committee on Foreign and European Affairs, Cyprus *Vouli ton Antiprosopon***

In his welcome address, Mr NEOFYTOU said that the Cyprus Presidency would work towards creating a better Europe at a critical period for both the Union and its Member States. He underlined that fiscal stability must be accompanied by growth and said that the Cyprus Presidency wanted to promote measures for fiscal consolidation at the same time as promoting the Single Market 12 levers of growth with the aim of creating new jobs.

Mr NEOFYTOU noted that the Cyprus Presidency would focus on the completion of the negotiations on the Multiannual Financial Framework (MFF) and would continue negotiations on the Common Agricultural Policy (CAP) and Cohesion Policy. Furthermore, energy policy would be a priority, especially after the recent discovery of hydrocarbons in the Exclusive Economic Zone of the Republic of Cyprus that may prove to be valuable resources for Cyprus as well as for the energy security of supply in Europe as a whole.

Referring to the external dimension of the European Union, Mr NEOFYTOU noted that Cyprus' favourable geographic location may help communication with the countries of the "Arab Spring". The Cyprus Presidency would therefore place emphasis on the southern dimension of the European Neighbourhood Policy (ENP). He further noted that Cyprus has the ability, if Europe so decides, to host a European Observatory for North Africa and the Middle East.

**2. Adoption of the agenda, procedural questions and miscellaneous matters**

The agenda was adopted by the Chairpersons without amendment. Mr NEOFYTOU informed the participants that the Troika had discussed the draft agenda for the XLVIII COSAC to be held on 14-16 October 2012 and he presented the topics and speakers for each topic. The

Presidency agreed to include two speakers from the European Parliament, as discussed during the Presidential Troika meeting.

The topics to be discussed in the Plenary included: 1. State of Play - Priorities of the Cyprus Presidency of the Council of the European Union to be presented by Mr Andreas MAVROYIANNIS, Deputy Minister for EU Affairs; 2. The State of the Union to be addressed by European Commissioner for Inter-institutional Relations and Administration, Maroš ŠEFČOVIČ, and Mr Carlo CASINI, Chairman of the Constitutional Affairs Committee of the European Parliament; 3. Energy - Security of Supply to be addressed by Mr Neoklis SYLIKIOTIS, Minister of Commerce, Industry and Tourism; 4. Single Market Governance to be addressed by Mr Pierre DELSAUX, Deputy Director General, DG Internal Market and Services; and 5. Europe 2020 Strategy - Recovery from the Financial Crisis, addressed by Ms Pervenche BERÈS, Chairwoman of the Committee on Employment and Social Affairs, European Parliament.

Mr NEOFYTOU moved on to the consideration of the draft outline of the 18th Bi-annual Report. Following a suggestion by Ms Eva KJER HANSEN, Danish *Folketing*, it was agreed to add a fourth chapter relating to the governance of the Single Market.

With regards to letters to the Presidency, Mr NEOFYTOU noted that there had been none.

### **3. Priorities of the Cyprus Presidency – guest speaker: Mr Andreas MAVROYIANNIS, Deputy Minister for EU Affairs for Climate and Energy**

Mr MAVROYIANNIS opened his remarks by saying that although the Cyprus Presidency was just eight days old it was, as a first Presidency, now heading into deep waters. The Presidency was a unique opportunity for each Member State to contribute more to the EU and to deepen European integration. He said the Cyprus Presidency would be objective and neutral and that the national issue of their relationship with Turkey would not define how it managed its Presidency. The Presidency would fully embrace the idea of handing on a better Europe to future generations.

He spoke of two main axes of the Presidency as being: bringing the Union back to the underlying principles of solidarity and social cohesion; and developing a more efficient, more effective, more competitive Europe which would contribute to growth and job creation. He welcomed the shift in emphasis of the June European Council more towards jobs and growth. The specific priorities of the Cyprus Presidency he identified were:

**Europe, more efficient and sustainable:** The Presidency would work towards the finalisation of the negotiations on the MFF which would be its main priority. Within this, it would focus on the quality of spending, supporting growth, enhancing employment opportunities, and on EU policies with real European added value and on progressing the appropriate sectoral policies. The Presidency hoped to balance the need for fiscal consolidation with the requirement to stimulate growth and jobs. The sustainable management of resources, especially water, was also a Presidency priority.

**Europe, with a better performing and growth economy:** It would work on the new enhanced framework of economic governance and reinforce budgetary surveillance and on measures which focused on fiscal consolidation and sustainable economic growth. In marking the 20th anniversary of the Single Market, the Presidency would give impetus to the

deepening of the internal market, through the promotion of relevant initiatives emphasising in particular the role of SMEs.

**Europe, more relevant to its citizens, with solidarity and social cohesion:** The Presidency would work towards bringing Europe closer to its citizens, emphasising measures to combat youth unemployment, the completion of the Common European Asylum System by the end of 2012, and issues related to the European Year of Active Ageing and intergenerational solidarity. In addition, the new legal framework for the protection of personal data is a further priority issue.

**Europe in the world, closer to its neighbours:** The Presidency would place special emphasis on the southern dimension of the ENP, in order to enhance the relations with Mediterranean partners. It would also promote all processes related to enlargement and any external trade policies which encourage growth. He thought that the Arab Spring had taken Europe by surprise. In future, Europe should help to ensure pluralism in these societies and help create conditions for all people to access society especially those supporting democratic principles. The EU should operate on the principle of "more for more" in these countries; that is to say the EU must ensure that the democratic transition continues and religious and other freedoms are protected.

In the debate which followed 20 speakers took the floor and most were satisfied with the priorities chosen by the Presidency. Ms Melita MULIC, Croatian *Hrvatski Sabor*, thanked all delegations who had so far ratified the accession of Croatia in their parliaments and said that the reforms required for accession were worthwhile. Mr Vladimir TOSHEV, Bulgarian *Narodno Sabranie*, hoped the Presidency would recognise Bulgaria's willingness to join the Schengen Agreement. He and Mr Rainer ROBBA, German *Bundesrat*, both argued for the maintenance of the current level of Cohesion funding in the MFF, with Mr Richard HÖRCSIK, Hungarian *Országgyűlés*, noting that it was a central policy for the EU.

Mr Günther KRICHBAUM, German *Bundestag*, said that the financial crisis was essentially a crisis of confidence and that the proposed use of the ESM and the new Fiscal Compact would help to create more confidence. On the MFF he believed that too much was being allocated to the CAP and not enough on research. He was concerned also about the recent events in Romania and the maintenance of an independent judiciary there. Mr Vasile NEDELICU, Romanian *Camera Deputatilor*, was given the floor in response and stated that the Constitutional Court in Romania was not being dissolved as some had believed. Mr Fritz NEUGEBAUER, Austrian *Nationalrat*, in a comment on the MFF supported the introduction on the Financial Transaction Tax (FTT). Mr Carlo CASINI, European Parliament, asked about Cyprus' plans for the discussions on the banking union and on the need, in general, to pursue the community method. Mr William CASH, UK *House of Commons*, stated that there was not enough open discussion on the financial crisis in the EU and called for a convention on the future of European institutions involving EU leaders and national Parliaments.

Mr Arni Thor SIGURDSSON, Icelandic *Althingi*, gave an update on the Icelandic accession talks; 18 chapters were open and 10 had been closed. The fisheries chapter was not yet open and he was concerned that the dispute about the mackerel fishery was delaying matters even though it was not part of the *acquis*. Mr Simon SUTOUR, French *Sénat*, and Mr Miltiades VARVITSIOTIS, Greek *Vouli Ton Ellinon*, expressed disappointment that Turkey had not engaged with the Cyprus Presidency. Mr Francis ZAMMIT DIMECH, Maltese *Il-Kamra*

*Tad-Deputati*, on ENP noted Malta's role in coordinating the evacuation of EU citizens from Libya.

In a general response, Mr MAVROYIANNIS noted that the Presidency was in favour of Icelandic accession and would open as many chapters as possible but acknowledged that the fisheries chapter was difficult. They would progress the banking union proposals as quickly as possible and would adhere to the community method. On the MFF he said that they hoped to find a compromise and that the FTT, while it would be progressed under enhanced cooperation, could not be adopted as an own resource. In this regard own resource funding was a major problem for the EU for which Member States would have to find a solution. On Turkey he noted that its behaviour is degrading itself and casts doubt upon its own commitment towards EU principles.

#### **4. Energy 2010 Strategy - Security of Supply – guest speaker: Mr Günther OETTINGER, Commissioner for Energy**

Mr Günther OETTINGER, European Commissioner for Energy, opened his address by pointing out that the next big step for European integration would have to be made in the field of energy policy: the Single Market for oil was completed; and the single market for coal would be operational with the ending of subsidies in 2018. The real issue was to create the Single Market for gas and electricity. There were still plenty of public utility companies which were not competing on the open market.

Mr OETTINGER outlined the aims for a European energy policy: 1. security of energy supply; 2. solidarity: Member States should be able to help one another; 3. affordability of energy and choice for consumers; 4. renewable energy and the reduction of carbon dioxide (CO<sub>2</sub>) emissions - which would only be achieved through adequate infrastructure. In his analysis the Commissioner came to the conclusion that for oil, petrol and diesel the existing infrastructures were almost perfect, with those for coal categorised as very good, but for gas and electricity they were insufficient.

In other areas, such as transport and information technology, trans-European networks did exist, Mr OETTINGER pointed out, but this was not the case for electricity which could not be transported, for example, from Spain to Germany. Very often there were no reverse-flow possibilities for gas which could ensure security of supply. Based on these examples Mr OETTINGER advocated the creation of trans-European energy networks which had to include countries in the Western Balkans as well as Switzerland, Norway (with its big storage capacities) but also Ukraine and Turkey. Only the inclusion of the southern and eastern Mediterranean shores would create a true pan-European energy infrastructure.

Turning to recent market developments, the Commissioner underlined that, due to the independence of the United States from gas imports (due to the extraction of own shale gas resources), liquefied natural gas (LNG) from Qatar was now available for transport to Japan or Rotterdam, making gas a truly global product. He argued that LNG terminals and distribution networks should be built also around the Baltic Sea. To trigger a similar development in the area of electricity, modern infrastructures within the EU Member States were needed, especially interconnectors between national electricity networks which also applied to gas pipelines.

Therefore, Mr OETTINGER said, the Commission was making plans for more gas connections in more regions, such as the North Sea or Central Eastern European Countries. However, there were still obstacles to overcome; to increase the speed of issuing administrative planning permits, the Commission would publish its network priorities at European level. In addition, the European Commission had proposed €9 billion under the Connecting Europe Facility (between 2014 and 2020) to support some gas connections which were not economically viable, such as the connection between Greece and Cyprus. Mr OETTINGER also brought up the subject of the €4 billion made available under the Economic Recovery Programme for energy projects such as electricity grids, gas pipeline interconnectors, LNG and carbon capture and storage facilities.

Finally, Mr OETTINGER turned to energy efficiency - referring to the agreement reached between the Council and the European Parliament on the Energy Efficiency Directive in first reading two weeks before - and the production of renewable energy. The latter still posed some problems since, compared to the legally requested storage facilities for oil and gas (both above the required limits of 90 days and 30 days of consumption respectively), the current storage capacities for electricity were equivalent to just 20 minutes of consumption. The issue of the base load capacity of tidal energy, wind and sun was to be addressed. He proposed a European policy to encourage optimal location of these energy production capacities. In particular, solar energy required European cooperation and, at a later stage, integration within the EU. Moving to 30 percent or 50 percent of renewable energy would only be possible with more European cooperation, the Commissioner concluded.

In the debate which followed, 15 speakers took the floor, many of whom emphasised the importance of completing the single market for energy, in particular to ensure energy security throughout Europe. The Commissioner agreed and confirmed that the Commission was working hard towards this aim and expressed the hope that recent proposals on this topic would be agreed in the next 6 months by the Council and the European Parliament. He noted that the production infrastructure required serious improvement and investment and he specifically called for planning procedures for infrastructure projects to be accelerated.

In reply to Mr Česlovas Vytautas STANKEVIČIUS, Lithuanian *Seimas*, and Mr Andrej GAŁAŻEWSKI, Polish *Sejm*, Mr OETTINGER offered his support in finding investors for the construction of new nuclear power plants. At the same time he mentioned that storage and reverse flow facilities, gas interconnectors and the projected LNG hubs would contribute to increase security of supply for countries that still depended heavily on one source of energy production or one single supplier.

Mr HÖRCSIK emphasised the importance of connections between European countries for ensuring energy security. Mr OETTINGER said that he recognised that European co-financing was badly needed to improve interlinks and infrastructure in countries "on the margins" but that agreements were difficult to negotiate. In response to a question by Mr ZAMMIT DIMECH, Mr OETTINGER said that EU action was needed to help countries like Malta and Cyprus, currently on the edge of the grid, take advantage of their location which was of strategic importance. He also highlighted the importance of the greater European energy area and energy links to the Caspian region and North Africa, encouraging the continued creation of such links to neighbouring regions and countries including Norway.

A number of Members raised the issue of sustainable energy sources and, when questioned on the sustainability of biofuel, Mr OETTINGER said that its sustainability was questionable in

many cases due to the carbon used for transportation. He encouraged the greater use of locally created biomass instead. In reply to a question by Lord BOSWELL, the Commissioner answered that the Emission Trading Scheme (ETS) was a problem due to the unpredictability of price of carbon, but that he hoped there would be an improved proposal on this matter by the end of 2012. Mr Dominic HANNIGAN, Irish *Dáil Éireann*, highlighted the importance of energy efficiency and he emphasised the need for the single market in energy to stimulate growth.

Mr CASH said that energy was also a foreign policy issue and asked what approach the EU would take on the Turkish approach towards the economic interests of Cyprus. Mr OETTINGER said that the EU would defend the interests of its Member States in this regard. The European Commission was ready to support Cyprus to exploit the opportunities in the region.

Several interventions concerned the future energy mix, some pro, some contra the use of nuclear power generation. Mr KRICHBAUM asked if the European Commission was involved in the storage of nuclear waste. Mr Edgar MAYER, Austrian *Bundesrat*, expressed the view that nuclear energy was not a sustainable energy source. Mr Othmar KARAS, European Parliament, stated that this question remained in the remit of Member States and that it would certainly not result in a consensus soon. Instead he proposed that national Parliaments do everything they could to remove the obstacles for building new energy infrastructures in order to complete the internal market for electricity and gas. Ms AUROI pointed out that one should always ask the question of the impact of political decisions concerning the energy mix; some fossil fuels would have to be saved for the time after 2050.

Commissioner OETTINGER, in his reply, warned of an uncontrolled development of new renewable energy sources. The development of renewable energy sources would have to be accompanied by the construction of energy transport grids in parallel. He said that the European Commission remained neutral concerning the use of nuclear power; it was only involved in safety aspects. The Nuclear Waste Directive obliged Member States to store nuclear waste within their own borders or coordinate storage with another EU Member State and prohibited storage agreements with third countries. With reference to the MFF 2014-2020 and the Connecting Europe Facility contained therein (€9bn over seven years) he underscored the importance of new energy infrastructures: if they were not built, no internal market for energy could emerge. To this end, the Commissioner offered to have his services prepare country-specific recommendations for the construction of energy networks which could be submitted to the COSAC and/or national Parliaments for discussion.