

## Outlook for the European Council of 19-20 March 2015

*The Spring European Council will focus on building a European Energy Union. The Heads of State or Government will also exchange views on the economic situation and conclude the first phase of the European Semester for 2015, which includes giving guidance to Member States for the preparation of their national reforms and the stability or convergence programmes. They are also likely to consider the progress on the European Fund for Strategic Investments (EFSI) and the state of play in the negotiations with the US on the Transatlantic Trade and Investment Partnership (TTIP). On the external relations agenda, the European Council is expected to discuss relations with Russia and the situation in Ukraine, in particular the implementation of the Minsk II Agreement, and agree on possible further steps. The difficult situation in Libya and its security implications for the EU will also be on the agenda. EU leaders are also expected to prepare the Eastern Partnership Summit in Riga on 21-22 May 2015.*

### 1. Energy Union

As one of the main items on the European Council's Strategic Agenda for the Union in Times of Change, adopted in June 2014, building An Energy Union with a Forward Looking Climate Policy is at the core of the European agenda<sup>1</sup> and it will be one of the most important topics at this 19-20 March European Council.

The European Council has turned its attention to this issue several times in recent years, giving political directions and defining priorities on different aspects of energy policies and on their implications for climate change. Last December, it called on the European Commission to present a proposal on the Energy Union before the upcoming March European Council meeting, leading to the Commission's Energy Union package published on 25 February<sup>2</sup>. At their March meeting, the Heads of State or Government are expected to provide political guidelines for further work in bringing together the Member States' 28 national energy markets into a single European Energy Union.

The Energy Union is based on five equally important and interconnected dimensions, mutually reinforcing one other: energy security, integrated European energy market, energy efficiency, decarbonisation of the economy, and research, innovation and competitiveness.

---

<sup>1</sup> This is also one of the ten points listed in the political guidelines of the Commission presented by its President Jean-Claude Juncker, a priority in the Commission Work Programme 2015, and one of the top priorities for the Latvian Presidency of the Council. In April 2014, Donald Tusk, Prime Minister of Poland at the time, and now European Council President, suggested that EU Member States should build an Energy Union. Since then the scope of the Energy Union has broadened in scope, with the addition of new elements.

<sup>2</sup> The Energy Union package consists of three Commission communications: A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, COM(2015)80; The Paris Protocol - A blueprint for tackling global climate change beyond 2020, COM(2015)81; and Achieving the 10% electricity interconnection target: Making Europe's electricity grid fit for 2020, COM(2015)82.

The Environment Council and the Transport, Telecommunications and Energy Council addressed the Energy Union in their respective meetings on 5 and 6 March. In preparation for the upcoming European Council meeting, the European Parliament debated the issue on Wednesday 11 March.

The Communication on a Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy includes a fifteen-point action plan of legislative and non-legislative initiatives and a road map for the Energy Union, with a list of specific actions and timeframes. In addition to new initiatives, the list includes reviews of existing rules and legislation, the development of strategies and the use of foreign-policy instruments. Finally, the strategy emphasises the need for implementation of the existing EU energy legislative framework, referring in particular to the 3rd Energy Package, which is important for the creation of an internal energy market.

The focus of this European Council meeting will be on energy security, the internal energy market and climate diplomacy.

### **1.1 Energy security-based solidarity and trust**

The EU is heavily dependent on imported energy, given that, on average, 53.4 % of its energy is imported. Key elements of energy security are guaranteeing the EU's energy supply by a diversification of energy sources, suppliers and routes; and reducing dependency on imported energy and the building of stronger cooperation between Member States in response to potential supply disruptions.<sup>3</sup>

In order to increase transparency in intergovernmental agreements and in commercial agreements with energy suppliers outside the EU, the Strategic Framework for a Resilient Energy Union introduces ex-ante compliance checks of such agreements with EU law, to replace the current practice whereby the compliance check takes place after the conclusion of an agreement between a Member State and a third country. In the field of security of supply, the Commission put forward an initiative to assess options for voluntary demand aggregation mechanisms for collective purchasing of gas during a crisis, and for Member States dependent on a single supplier, taking into account WTO rules and EU competition rules. The Commission also proposes a dialogue with strategic energy partnership countries so as to create mutual benefits, to build a stronger European role in global energy markets and diversify the EU's energy supply.

### **1.2 Interconnected Internal Energy Market**

A well-functioning, integrated European energy retail market is expected to increase energy security, boost cross-border trade and contribute to building capacities to ensure security of supply. It is also expected to lower energy prices and to have a positive impact on competitiveness. Continuing existing infrastructure projects and identifying new projects of common interest (PCI), together with enhanced regional cooperation, are at the heart of an adequate energy infrastructure. Effective implementation of the 10 % electricity interconnection target by 2020 is one of the main aims of an internal electricity and gas market, thus reducing ending energy isolation in some Member States. Addressing the Parliament in Strasbourg, Commission President Juncker referred to the establishment of a High-Level Group for South-West Europe (in Madrid on 4 March) as an example of regional cooperation to increase energy supply and end energy isolation. The High-Level Group will identify, carry out and monitor infrastructure projects in the region, and thus better connect the Iberian Peninsula to the rest of the EU energy market.

Improvements in energy efficiency, moderation of energy demand, and investments in exploring the potential of renewable energy technologies in the internal energy market are essential building-blocks on the road towards a low-carbon economy and achieving the targets set in the EU 2030 energy and climate framework.

---

<sup>3</sup> See in particular European Energy Security Strategy, COM(2014)330.

### **1.3 'Climate diplomacy'**

The Commission communication on the Paris Protocol - A blueprint for tackling global climate change beyond 2020, aims to prepare the EU for negotiations ahead of the Paris Climate Conference in December 2015, i.e. the 21st Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC). The objective is to limit the global temperature increase to 2°C through a binding international agreement applying from 2020 onwards, once the Kyoto Protocol expires. The Environment Council, in its meeting on 6 February, adopted the EU's intended nationally determined contribution (INDC), which was then submitted by the Latvian Presidency to the UNFCCC Secretariat. It builds on the binding target of a reduction of at least 40 per cent of greenhouse gases by 2030 as compared to levels in 1990, agreed by the European Council in October 2014 in the context of the EU 2030 policy framework for climate and energy.

An EU Climate Diplomacy Action Plan, drafted by the Commission and the European External Action Service was endorsed by the Foreign Affairs Ministers in January. Its aim is to raise awareness on climate issues by coordinating European diplomatic actions and to contribute to the negotiations and approval of an ambitious global climate agreement in Paris in December 2015.

#### **Article 194, Treaty of the Functioning of the European Union**

##### **ENERGY**

1. In the context of the establishment and functioning of the internal market and with regard for the need to preserve and improve the environment, Union policy on energy shall aim, in a spirit of solidarity between Member States, to:

- a) ensure the functioning of the energy market;
- b) ensure security of energy supply in the Union;
- c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- d) promote the interconnection of energy networks.

2. Without prejudice to the application of other provisions of the Treaties, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve the objectives in paragraph 1. Such measures shall be adopted after consultation of the Economic and Social Committee and the Committee of the Regions.

Such measures shall not affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, without prejudice to Article 192(2)(c).

3. By way of derogation from paragraph 2, the Council, acting in accordance with a special legislative procedure, shall unanimously and after consulting the European Parliament, establish the measures referred to therein when they are primarily of a fiscal nature.

## **2. Growth and jobs**

### **2.1 European Semester**

EU leaders will endorse the 2015 Annual Growth Survey (AGS) adopted by the Commission last November along with the 2015 Alert Mechanism Report. The 2015 AGS marked the kickoff of the 2015 European Semester of fiscal and economic policy coordination and highlights EU priorities to boost economic recovery and employment. It puts special emphasis on the so-called 'virtuous triangle', i.e. boosting investment and implementing structural reforms while maintaining fiscal responsibility.

The Commission also embarked upon streamlining and reinforcing the European Semester process in line with suggestions presented in the AGS. Country Reports were already published in late February to assess the economic situation of each Member State and the Euro area, as well as progress made in addressing the 2014 Country-Specific Recommendations (CSRs). In-Depth Reviews are also included in the Country Reports, in line with the Macroeconomic Imbalance Procedure. Member States are expected to submit their Stability or Convergence Programmes and their National Reform Programmes by mid-April, taking into account the Commission's 'virtuous triangle'. Based on their analysis, the Commission will then issue a new set of Country-Specific Recommendations, to be subsequently endorsed by the European Council in late June and then approved by the Council.

In this context, the European Parliament adopted a resolution on 11 March on the Annual Growth Survey 2015, supporting the Commission's approach to tackling weak growth and high unemployment. Broader national ownership and further involvement of national Parliaments and other stakeholders are also key to ensuring a better and more efficient functioning of the European Semester.

## **2.2 Investment plan**

The European Council is also expected to highlight progress made on the Investment Plan presented by Commission President Juncker to the European Parliament in late November 2014.

In January 2015, the Commission tabled a legislative proposal for the set-up of the European Fund for Strategic Investment (EFSI) in close partnership with the European Investment Bank (EIB). The Plan aims at unlocking €315 billion in additional investments in the real economy over the period 2015-17 to boost growth and employment. The proposal also establishes a European Investment Advisory Hub alongside the EFSI in order to help identify and ensure the funding and the implementation of the most viable projects. At the same time, the Commission adopted a favorable stance concerning the treatment of Member State contributions to the EFSI under the Stability and Growth Pact, i.e. the so-called 'investment clause'. A few Member States very recently announced contributions to the EFSI through their national promotional banks in line with the Commission's call. Those contributions - in addition to the €21 billion provided at EU level - will aim at further strengthening the impact of the Plan on the real economy.

Meanwhile, the ECOFIN Council reached an agreement on the regulation for the EFSI and is now set to start negotiations with the European Parliament (which should soon agree on its negotiating stance). In this context, the European Council will likely reiterate its invitation to the Union legislators to adopt the regulation by June so as to pave the way for the activation of new investments across Europe.

<b>Contributions to the EFSI through national promotional banks</b>	
<b>Germany</b>	€8bn
<b>France</b>	€8bn
<b>Italy</b>	€8bn
<b>Spain</b>	€1.5bn

*Source: European Commission*

## **3. External Relations**

### **3.1 Eastern Partnership**

The Council held an orientation debate on 16 March 2015 in preparation of the upcoming Eastern Partnership Summit in Riga on 21-22 May. The European Council is expected to set the agenda and the objectives of the Riga Summit and, in particular, the ratification and implementation of the Association Agreements<sup>4</sup> and the enhanced differentiation and strengthening of democratic State structures in partner countries.<sup>5</sup>

---

<sup>4</sup> On 27 June 2014, Georgia, Moldova and Ukraine signed Association Agreements aimed at deepening their political and economic ties with the EU, in the framework of the Eastern Partnership. The EU seeks to closely cooperate with the three countries in order to enhance security and stability in the wider region and to provide its technical assistance to create

Following meetings on 26 February 2015 with the Prime Minister of Georgia, Irakli Garibashvili, and with the Prime Minister of Moldova, Chiril Gaburici - which dealt mainly with the Association Agreements signed last June with the European Union - European Council President Donald Tusk underlined that it is time for the two countries to push ahead with the much-needed reforms, in order to speed up the implementation process of the Association Agreement. He reaffirmed the European Union's commitment to conflict resolution, notably in the regions of Abkhazia <sup>6</sup> and Transnistria <sup>7</sup>, which is considered to be essential in safeguarding the territorial integrity of Georgia and Moldova within their internationally-recognised borders.

At a joint press conference on 4 March, the High Representative of the Union for Foreign Affairs and Security Policy (HR), Federica Mogherini and the Commissioner for European Neighbourhood Policy (ENP) and Enlargement Negotiations, Johannes Hahn, launched the consultation on the future of the ENP. They both underlined the significant developments since its last review in 2011 and the necessity of a fundamental review of the principles on which the policy is based as well as its scope and how its instruments should be used. The consultation will last until the end of June 2015 and will correspond to four priorities: differentiation, focus, flexibility, and ownership and visibility. Five areas where both sides share common interests have already been identified: trade and economic development, connectivity, security, governance, migration and mobility.

At the same time, the Commission has started technical work to assess the readiness of Ukraine and Georgia for a visa-free regime, the results of which will be discussed during the Eastern Partnership Summit in Riga. In addition, according to senior officials from the Latvian Presidency of the Council, Belarus may secure the first step towards a visa-free regime with the EU if it achieves progress on outstanding issues, such as the release of political prisoners in time for the Eastern Partnership summit in Riga. Finally, a meeting between EU Foreign Ministers and their counterparts from the Eastern Partnership countries will take place on 20 April 2015.

### **3.2 Russia/Ukraine**

The European Council will continue its discussions from the last informal European Council of 12 February on the situation in Ukraine and relations with Russia, in particular the implementation of the Minsk 2015 agreement and is expected to put additional pressure on Russia by stressing that the implementation of the 'Minsk' ceasefire agreement<sup>8</sup> is 'Russia's "responsibility"'.

Based on the consultations by the European Council President with European Union leaders since the last informal European Council regarding possible further steps, a video conference was held on the 3 March between President Tusk and the leaders of France, Germany, Italy, United Kingdom and United States and the 6-7 March informal discussions of the Foreign Affairs ministers, the European Council is expected to call for **immediate implementation of the Minsk Agreements**, recall that there is a close link between **sanctions** and full implementation of the agreements and call for a **strengthened capacity for the OSCE** for

---

business opportunities and bring higher standards of goods, better services, and increased competitiveness, through the Deep and Comprehensive Free Trade Area (DCFTA). Armenia and Belarus have been moving in a different direction, given that they joined the Eurasian Economic Union on 1 January 2015.

<sup>5</sup> Eastern Partnership countries: Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus.

<sup>6</sup> On 24 November 2014, Russia announced a military agreement with the partially recognized state of Abkhazia. The agreement provides for the establishment of a new joint military force of Russian and Abkhaz troops that will be led by a Russian commander. Abkhazia also agreed to harmonize its foreign and defence policies with Moscow's and to join the Eurasian Economic Union.

<sup>7</sup> The Pridnestrovian Moldavian Republic, better known as Transnistria, is a breakaway territory of 500 000 inhabitants in eastern Moldova, located between the river Dniester and the Ukrainian border. This strip of land gained autonomy after the collapse of the Soviet Union as a result of the 1992 war with Moldova. Since then, it has become a 'frozen conflict' zone, heavily subsidized by Russia which keeps a military contingent on the ground as a peacekeeping force.

<sup>8</sup> For further information see EPRS publication: 'Minsk peace agreement: still to be consolidated on the ground'.

monitoring the agreements The European Council is also likely to express its continued support to the **Ukrainian reform process, the Macro-Financial Assistance package for Ukraine, for the trilateral processes on energy** and for the implementation of the **EU-Ukraine Free Trade Agreement**. An additional request from the European Council will be for the High Representative, in cooperation with Member States and EU institutions, to prepare for the June European Council **an action plan on strategic communication** in support of media freedom and EU values.<sup>9</sup> This last point (partially) addresses the call of some MEPs for a more pro-active strategy towards the situation in Ukraine and relations with Russia during the 12 February informal European Council debriefing to the EP, which was supported by President Tusk and announced for further discussion at the European Council meeting in March.

The Foreign Minister of Latvia, Edgars Rinkēvičs, and HR/VP Mogherini emphasised the importance of the European Union "standing united on these matters today and in times ahead", echoing the message that European Council President Donald Tusk gave to the European Parliament in his debriefing of the 12 February informal European Council. This call for unity was also stressed by numerous MEPs in the EP plenary debate of 11 March in preparation of the European Council. These calls come at a time when divisions between EU Member States on how to deal with Russia come more and more to the forefront, with some Member States like Sweden calling for an expansion of the sanctions on Russia while others, including Greece, Austria, Slovakia, the Czech Republic, Spain and Hungary, have expressed scepticism over the efficiency of restrictive measures against Russia.

Whether European leaders will agree on further sanctions at this European Council is difficult to assess, as first drafts of the European Council Conclusions do not give details on possible sanctions<sup>10</sup>. European Council President Donald Tusk stated in an interview that it is currently impossible for EU Member States to arrive at the unanimity needed to impose additional sanctions against Russia over the situation in Ukraine. At the same time, the EU has expressed its readiness to tighten sanctions against Russia, should the situation in the east Ukraine deteriorate. On the continuation of existing sanctions, President Tusk stated that 'If we want to support the Minsk agreement, we have as a minimum to maintain existing sanctions'. Meanwhile the HR declared on the issue of Crimea that 'the EU will continue to implement its non-recognition policy, including through restrictive measures'.

Reports differ as to the situation on the ground: in the days directly following the ceasefire (15 February), military operations continued which eventually led to the surrender of the town of Debaltseve in eastern Ukraine to pro-Russian rebels, and heavy weaponry was used around the town of Mariupol as recently as 9 March. On the other hand, Ukrainian President Petro Poroshenko confirmed that pro-Russian rebels have withdrawn a 'significant' amount of heavy weapons and the Latvian Foreign Minister and the EU High Representative acknowledged, at the informal meeting of EU Foreign Ministers on 6-7 March in Riga, that the situation has considerably improved since 12 February - with the withdrawal of heavy weapons and decrease in the intensity of shelling; however, the EU is aware that the ceasefire in Ukraine is still fragile.

In its 15 January resolution on the situation in Ukraine the European Parliament 'called for the continuation of the current EU sanctions regime, in particular with a view to the upcoming March 2015 Council meeting' and 'invited the European Council, in case of any further Russian actions destabilising Ukraine, to take up further restrictive measures and broaden their scope, by covering the nuclear sector and by limiting the ability of Russian entities to conduct international financial transactions'.

---

<sup>9</sup> See also speech of the EU High Representative before the EP on 11 March.

<sup>10</sup> Sanctions may refer to new sanctions (on new issues), to the widening of the scope of existing sanctions (e.g. extending travel bans to more people), or the continuation of current sanctions, some of which will expire in July and September respectively.

## **Boris Nemtsov**

While not officially on the agenda, Heads of State or Government are expected to consider the murder on 27 February of Boris Nemtsov, former Vice-Minister President and strong critic of the Russian government and Putin's Ukraine policy. The European Parliament adopted a resolution on the murder of the Russian opposition leader Boris Nemtsov and the state of democracy in Russia.

### **Deterioration of EU-Russia relations and current EU-Sanctions**

#### First stage of sanctions: 'Diplomatic' measures

- Suspension of bilateral talks with the Russian Federation on visa matters and discussions on the New (EU-Russia) Agreement;
- Cancellation of the G8 summit in Sochi, replacing it with a G7 meeting in Brussels;
- Supporting the suspension of negotiations over Russia's joining the OECD and the International Energy Agency;
- Cancellation of the EU-Russia summit and decision not to hold regular bilateral summits;
- Re-assessment of EU-Russia cooperation programmes with a view to suspending the implementation of EU bilateral and regional cooperation programmes;
- On 16 July, the European Council requested the EIB to suspend the signature of new financing operations in the Russian Federation.

#### Second stage of sanctions: Travel bans and asset freezes

On 17 March 2014 the EU imposed the first travel bans and asset freezes against Russian and Ukrainian officials following Russia's illegal annexation of Crimea, since then, they have been extended and expanded and apply to around 150 persons and 37 entities. Another six month prolongation was adopted by the Council on 13 March.

On 28 July the EU also agreed on specific trade and investment restrictions for Crimea and Sevastopol, comprising a ban on new investment, and the export of equipment for infrastructure projects in the transport, telecommunications and energy infrastructure and for oil, gas and minerals exploitation infrastructure as well as banning finance and insurance services related to such transactions.

#### Third stage of sanctions: 'Economic sanctions'

On 31 July 2014 the European Union adopted a package of restrictive measures targeting sectorial cooperation and exchanges with the Russian Federation, consisting of measures aimed at limiting access to EU capital markets for Russian State-owned financial institutions, an embargo on trade in arms, an export ban for dual use goods for military end use and end users, and restrictions on access to certain sensitive technologies particularly in the oil sector. The package was further extended on 8 September 2014. These sanctions will expire in July and September respectively unless all 28 EU Member States agree to prolong them. It is expected that the European Council will extend them for six months ('lowest common denominator' outcome.)

## **3.3 Libya**

European Council President, Donald Tusk discussed the situation in Libya during a video conference on 3 March with leaders of France, Germany, Italy, United Kingdom and the United States. This exchange of views will serve to prepare the next meeting of the European Council.

The March European Council is expected to determine the EU's contribution to the conclusion of a political agreement on the formation of a government of national unity in Libya, while at the same time addressing the implications for the European Union's security, in particular with regard to illegal migration and terrorist threats.

The situation in Libya was also discussed during President Donald Tusk's visit to the US on 9 March, where he stressed the clear need to prevent the spread of violent extremism in Africa and the crucial importance of

providing assistance to Libya. Furthermore, the Justice and Home Affairs Council meeting of 12-13 March proposed concrete measures to fight terrorism, as recorded in recent counter-terrorism statements issued after the latest terrorist attacks on European soil. As such, Ministers agreed on the following items: systematic checks on documents and persons based on risk assessments at external borders by June 2015; creation of an EU Internet Referral Unit able to address the issue of internet content promoting terrorism or violent extremism by July 2015. Further actions were requested of the Commission and Europol in dealing with illicit trafficking of firearms, information exchange and operational cooperation on this phenomenon.

The Foreign Affairs Council held a strategic discussion on EU-Africa relations on 16 March. Ministers focused on three themes: security and stability, prosperity and economic development, as well as partnership with African regional organisations. They also discussed EU support for a peaceful solution to the crisis in Libya. The Council reaffirmed its full support to the UN-facilitated political dialogue in Rabat and to an agreement on a government of national unity. The EU will enhance its support to key Libyan institutions and in key areas, including the rule of law, economic cooperation and DDR, and making full use of all its instruments. The Council invited HR/VP Mogherini to present proposals as soon as possible on possible CSDP activities in support of the security arrangements in close coordination with the UN, Libya, key partners and regional actors, as part of a wider set of policy options in the context of an updated Political Framework for Crisis Approach, to be developed by the HR and the Commission.

Earlier this month, on 6-7 March, an informal meeting of Foreign Ministers from EU Member States and from candidate countries was held in Riga to discuss developments in Libya and the way forward. Detailed discussions on the EU's Southern Neighbourhood policy will take place at the European Council meeting in October.

### **3.4 TTIP negotiations**

EU leaders are expected to reiterate that swift progress should be made so as to try to conclude the negotiations on the TTIP with the United States by the end of 2015, in line with the December 2014 Conclusions. The eighth round of the negotiations was held in Brussels in early February. 'Steady progress' was recorded on all three parts of the agreement. The next round of talks will take place in Washington D.C. in April. In the meantime, the EP is currently drafting recommendations to the negotiators and is expected to adopt its final report in May. European Council President Donald Tusk met with U.S. President Barack Obama in early March and put special emphasis on the need to gather public support for the TTIP. In a step towards ensuring greater transparency, earlier this year, the Commission released the EU negotiating texts on TTIP. During the March plenary session, the Commission President called on Member States to clarify their respective positions and intentions on the TTIP.

---

Manuscript completed on 18 March 2015. Brussels © European Union, 2015.

This document is also available on the internet at: [www.europarl.europa.eu/thinktank](http://www.europarl.europa.eu/thinktank).

To contact the European Council Oversight Unit, please e-mail: [EPRS-EuropeanCouncilOversight@ep.europa.eu](mailto:EPRS-EuropeanCouncilOversight@ep.europa.eu).

The opinions expressed in this document are the sole responsibility of the author(s) and do not represent an official position of the European Parliament. Reproduction and translation of this document for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.