

EEE 1604/06

DRAFT MINUTES

Subject : Draft minutes of the twenty fifth meeting of the EEA Council
Luxembourg, 12 June 2006

DRAFT MINUTES
of the twenty fifth meeting of the
EEA COUNCIL
(Luxembourg, 12 June 2006)

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The EEA Council held its 25th meeting in Luxembourg on 12 June 2006. The meeting was chaired by Mr. *Hans WINKLER* (State Secretary for Foreign Affairs of the Federal Republic of *AUSTRIA*), who led the Troika of the European Union composed of him, of Mr. *Eikka KOSONEN* (Permanent Representative of the Republic of *FINLAND* to the European Union), and of Mr. *Karel KOVANDA* (Deputy Director General and Political Director in the Directorate General of External Relations at the *EUROPEAN COMMISSION*).

The EEA - EFTA side was chaired by *Gunnar Snorri GUNNARSSON* (Permanent Secretary of State at the Ministry for Foreign Affairs of the Republic of *ICELAND*), accompanied by Mrs. *Rita KIEBER - BECK* (Minister for Foreign Affairs of the Principality of *LIECHTENSTEIN*), and by Mr. *Jonas Gahr STØRE* (Minister for Foreign Affairs of the Kingdom of *NORWAY*).

The *European Free Trade Association (EFTA)* was represented by its Secretary General, Mr. William *ROSSIER*, and the *EFTA Surveillance Authority (ESA)* was represented by its President, Mr. *Bjørn T. GRYDELAND*.

Opening statement of Mr. WINKLER, on behalf of the EUROPEAN UNION:

Dear Colleagues from Iceland, Norway and Liechtenstein, from the EFTA Secretariat, as well as from the EFTA Surveillance Authority, welcome to the 25th meeting of the EEA Council.

First of all allow me, also on behalf of the President - in - office of the Council, Ms. *Ursula PLASSNIK* (who, unfortunately, is unable to attend this meeting) to take this occasion to wish you and your Delegations on behalf of the Ministers of the Council of the European Union a very warm welcome. I would also like to express my most sincere acknowledgement to you and to the Secretariat of the European Free Trade Association for the excellent co-operation in finalising the arrangements for this meeting.

1. ADOPTION OF THE AGENDA

The EEA Council adopted the Agenda, as set out in doc. EEE 1601/1/06 REV 1.

2. APPROVAL OF THE MINUTES

of the 24th meeting of the EEA Council, which took place in Brussels on 21 November 2005, as set out in doc. EEE 1609/05.

The EEA Council approved the minutes of the 24th meeting, as set out in the above-mentioned document.

3. PROGRESS REPORT BY THE EEA JOINT COMMITTEE

The EEA Council noted the Progress Report, as set out in doc. EEE 1603/1/06 REV 1.

4. **RESOLUTIONS OF THE EEA JOINT PARLIAMENTARY COMMITTEE
ADOPTED AT ITS 25th MEETING IN BRUSSELS ON 23 NOVEMBER 2005**

The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 25th meeting in Brussels on 23 November 2005 on *The adopted Resolutions* of the EEA Joint Parliamentary Committee from 2000 to 2005 and on *New Environmental legislation and the European Economic Area*.

**RESOLUTIONS OF THE EEA JOINT PARLIAMENTARY COMMITTEE
ADOPTED AT ITS 25th MEETING IN TROMSØ, NORWAY ON 23 MAY 2006**

The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 26th meeting in Tromsø, Norway on 23 May 2006 on *The Annual Report on the functioning of the European Economic Area Agreement in 2005* and on *Europe's High North: Energy and environmental issues*.

5. **ASSESSMENT OF THE OVERALL FUNCTIONING OF THE EUROPEAN ECONOMIC AREA (EEA) AGREEMENT**

(i.a. maintaining and enhancing the homogeneity of the European Economic Area; decision making and shaping; Lisbon Strategy for growth and jobs and the European Economic Area; enlargement of the European Economic Area; the European Neighbourhood Policy; the Financial Mechanisms)

Intervention of Mr. WINKLER, on behalf of the EUROPEAN UNION:

Dear Colleagues,

First of all, I would like to take this opportunity to underline, once again, the importance of the EEA Council meetings, which give us the opportunity to make this assessment and to have a useful exchange of views on some of its aspects.

As a general remark, we do consider that the evaluation of the co-operation between the European Union and the EEA - EFTA States is globally very positive and that all the Institutions created in the framework of the European Economic Area Agreement are well functioning.

As far as the different items under point 5 of the Agenda are concerned, I would like to pass the floor to the European Commission, who, on the side of the European Union, is principally in charge of the day-to-day functioning of our European Economic Area Agreement.

Thank you.

Intervention of Mr. KOVANDA on behalf of the EUROPEAN COMMISSION:

Mr. President,

I am pleased to report that the European Economic Area Agreement continues to function well.

Together, through the EEA Joint Committee, we have worked to ensure the incorporation of new Internal Market “acquis” into the European Economic Area Agreement and to do so expeditiously. Since our last meeting, we have adopted 94 EEA Joint Committee Decisions, incorporating 216 legal acts. For the whole of 2005, 156 EEA Joint Committee Decisions were adopted, extending altogether 314 new legal acts to the European Economic Area.

We have, therefore, maintained the same high level of incorporation of new legislation into the European Economic Area Agreement as in previous years and have ensured the continued homogeneity of the Internal Market, which is the foundation of the European Economic Area.

In the first half of this year, the EEA Joint Committee has adopted 73 Decisions, incorporating another 159 new legal acts into the European Economic Area Agreement, so we are on track in 2006 to maintain a high level of incorporation of new acquis into the European Economic Area Agreement.

Even in more challenging areas, we are making steady progress. We have, for example, established a smooth way of ensuring EEA - EFTA participation in new Agencies of the European Union, which are EEA relevant and several such EEA Joint Committee Decisions were adopted in 2005.

Only EEA - EFTA participation in the “European Food Safety Authority” (EFSA) remains outstanding. This is due to the particular framework that establishes this Agency (the concept of horizontal food law), which is new to both the European Union and the European Economic Area. In this context, we appreciate that Iceland has engaged in a major review of its position relating to its application of the veterinary acquis and I hope this means that we can soon agree on a model, which will be the basis for the incorporation of all the new general food law acts, including the Regulation that establishes the European Food Safety Authority.

Let me briefly highlight two other points of particular significance regarding the functioning of the European Economic Area Agreement.

Firstly, I welcome that we have advanced towards incorporating the important Directive on the greenhouse gas emission allowance trading scheme into the European Economic Area Agreement. An agreement on the modalities for an EEA Joint Committee Decision should be reached in the very near future.

Secondly, in the field of civil aviation, I am pleased to report that, following close preparatory and technical consultations between the European Commission and the EEA - EFTA States, an important package of “Single European Sky” legislation on air traffic management has been incorporated into the European Economic Area Agreement on 2nd June. We will also continue to keep in close informal contact with the EEA - EFTA States on aviation relations with third countries.

On a more general note, I welcome the interest shown by the EEA - EFTA States in both the European Neighbourhood Policy and the renewed Lisbon Strategy. We have many shared interests here and I want to continue our close dialogue in these priority policy areas.

The new European Neighbourhood Policy Instrument means that we will have increased our assistance to almost 12 billion Euro and that we will have a more innovative and more flexible financial instrument to promote the European Neighbourhood Policy objectives. The approach is to offer the prospect of significant economic integration of our partner countries, once they are ready, in exchange for political and economic reform. The pace and level of ambition in this process will depend on the capacity of the partner countries, with which we can help, and their political will, which only the European Neighbourhood Policy countries themselves can ensure.

Internally, the European Union also needs to continue its pursuit of efficiency and competitiveness. With the 2006 Spring European Council, the first year of the renewed Lisbon Strategy for growth and jobs was successfully concluded and the next phase of the process was launched.

The European Commission and the Member States of the European Union are now consulting on the all important implementation of both the 2005 National Reform Programmes of the Member States of the European Union and the Community Lisbon Programme. The next steps in the

Lisbon Strategy will be the submission of the national progress reports in mid-October and the presentation of the Annual Progress Report of the European Commission towards the end of the year. Based on the Report of the European Commission, there will be country-specific multilateral surveillance in spring 2007 in sub-formations of the Council of the European Union.

An important element in the renewed Lisbon Process is the up-coming Services Directive, which will contribute to achieving an additional boost for growth and jobs in Europe. First and foremost, the Services Directive is of course a key step in the continued development of the Internal Market and therefore EEA relevant. I am pleased about the preliminary positive signals that I have received on the Services Directive from the EEA - EFTA side.

Let me finish my intervention by mentioning an important challenge that we face, namely, the forthcoming accession of the Republic of Bulgaria and Romania to the European Union and their simultaneous accession to the European Economic Area.

The last Enlargement Agreement of the European Economic Area has ensured that the good functioning of the Internal Market and the European Economic Area was never compromised. An important element was the significantly increased financial contributions from the EEA - EFTA States to social and economic cohesion in the enlarged European Economic Area. I should like again to thank you for these efforts and I welcome the actual projects that are now being implemented.

As you know, the European Commission decided in May to postpone its final recommendation on the date of accession of the Republic of Bulgaria and Romania until October 2006. However, it was made clear that the enlargement of the European Union on 1 January 2007 still remains a realistic perspective, provided that the Republic of Bulgaria and Romania deal with certain outstanding issues and continue the progress of reform.

We must therefore work on the assumption that the Republic of Bulgaria and Romania will become members of the European Union on 1 January 2007. The acceding countries have already formally applied to become Contracting Parties to the European Economic Area Agreement and the European Commission is mandated to negotiate an Enlargement Agreement of the European Economic Area for the European Union and its Member States.

We expect the formal negotiations on the enlargement of the European Economic Area to be launched in a few weeks' time. We do not foresee any significant difficulties in what we see fundamentally as a technical adjustment of the 2004 Agreement on the Enlargement of the European Economic Area.

I trust that all Parties will do their utmost to reach an agreement early enough to ensure the simultaneous and smooth enlargement of the European Union and of the European Economic Area.

Thank you very much.

Intervention of Mr. GUNNARSSON, on behalf of the EEA – EFTA States:

Mr Chairman,

We agree with the assessment from the European Commission and fortunately it can be stated again that the European Economic Area Agreement is functioning well and remains robust. We continue to integrate a high number of legal acts into the European Economic Area Agreement in a timely manner.

With this number of legal acts incorporated into our Agreement, it is of fundamental importance that the EEA - EFTA States are able to participate at an early stage in the shaping of new legislation. Our experts continue to contribute to the work of Working Groups and Committees of the European Commission preparing legislation of EEA relevance - which is of mutual importance for achieving our common goals.

We have also provided EEA - EFTA Comments on proposals for new EU legislation - two EEA - EFTA comments were submitted in the first half of 2006; on the new strategy for the Internal Market and on the revision of the new approach. Since our last meeting, there has been a rising awareness in our Member States of the importance of contributing actively to the shaping of new EEA-relevant legislative initiatives – both within civil society and amongst our parliamentarians.

In this context, I would like to mention one important channel for contributing to the shaping of EU decisions, namely our participation in EEA-relevant Agencies of the European Union. I am pleased to note that all issues of principles relating to EEA - EFTA participation in new Agencies of the European Union are now resolved and that we are participating in a timely manner in EEA-relevant Agencies of the European Union. Moreover, our participation in the European Food Safety Authority - EFSA - is about to be resolved. The process regarding European Food Safety Authority has taken some time, as the matter is complex, since the participation is linked to the adoption of a general food law establishing an integrated approach to food safety issues. It has caused some problems for Iceland, which has entered a review of its specific situation under Annex I of the European Economic Area Agreement with the European Commission. We expect results soon.

Also here, I would like to underline the importance of our timely participation in EEA-relevant Programmes of the European Union. This participation, which is co-financed by the EEA - EFTA States, contributes to the strengthening of the European Economic Area co-operation outside the four freedoms, thus promoting the common political and economic goals attached to the European Economic Area Agreement. The financial contribution by the EEA - EFTA States to the Budget of the European Union for 2006 was approximately 130 million euros, and in total commitments reach approximately 140 million euros. The biggest share is in the field of research and technological development.

For the next period from 2007 to 2013, I hope we can agree that timely participation and financial contribution of the EEA - EFTA States continues to be important and we should encourage everyone involved to do their utmost to ensure that this goal is achieved.

Mr Chairman,

The simultaneous enlargement of the European Union and of the European Economic Area, which took place in May 2004 is, in our view, a success story creating the largest Internal Market in the World. Our common objective of simultaneous enlargement of the European Union and the European Economic Area was fulfilled by applying the Agreement on the Enlargement of the European Economic Area provisionally from 2004, prior to its entry into force on the 6th of December 2005. Thus, for more than two years now, our citizens have been able to enjoy the benefits of an enlarged Internal Market.

We welcome the applications from the Republic of Bulgaria and Romania to become Contracting Parties to the European Economic Area Agreement when they join the European Union. Our common objective is to finalize negotiations of the Agreement on the Enlargement of the European Economic Area in a timely manner, so as to achieve simultaneous accession to the European Union and to the European Economic Area.

It is of our mutual interest to raise the awareness of the European Economic Area Agreement within all new Member States of the European Union. The number of inhabitants of the European Economic Area will – after the accession of the Republic of Bulgaria and Romania - total almost 500 million in 30 countries. The EEA - EFTA States will follow with great interest the upcoming debate on the enlargement strategy of the European Union.

In connection with the last enlargement, we established the EEA Financial Mechanism and the Norwegian Financial Mechanism, under which the EEA - EFTA States will make available a total of 1.2 billion euros over a five-year period ending in 2009. The aim is to reduce social and economic disparities through grant assistance in 13 Beneficiary Member States of the European Union – the 10 new Member States, Greece, Portugal and Spain.

Just two years after their establishment, the Financial Mechanisms have already made more than 300 million euros available to applicants through calls for proposals in nine countries, with the remaining ones foreseen within the next months. The Mechanisms are therefore well into their implementation phase. The grant support is available in a wide range of sectors, such as the environment, conservation of the European cultural heritage, health and childcare.

In addition, the Financial Mechanisms will also establish special funds for groups with special needs and requirements, such as funds for Non Governmental Organisations (NGOs), scholarships and research. All together, these funds will earmark around 176 million euros.

Coming to the Strategy on Growth and Jobs – as mentioned by the European Commission, this Strategy is very important to maintain Europe's competitiveness in a globalised economy. Due to the high level of economic interdependence between the EEA - EFTA States and the Member States of the European Union, we follow closely achievements of the Member States of the European Union. As partners in the Internal Market, the EEA - EFTA

States welcome the European Commission's initiative to develop a new Policy for the Internal Market and, as I mentioned before, last February the EEA - EFTA States sent their input to the Strategy, on how to make the Internal Market function better. We will continue to follow this closely.

Another issue which we follow is the European Neighbourhood Policy (ENP). Economic reform in our neighbouring countries is a shared interest and many elements of the European Neighbourhood Policy of the European Union are of keen interest to the EEA - EFTA States.

Now, Mr. Chairman, I would like to mention a few issues in our co-operation, which are of concern for the EEA - EFTA States, and which we have been discussing with the European Commission for a while and mentioned before in this forum.

The first issue regards the co-operation in the field of civil aviation. We welcome the incorporation of the common rules and principles governing the organisation of the European airspace, the so-called "Single European Sky", into the European Economic Area Agreement. Closely related to this is the "Open Skies Policy", where we also have to continue close informal contacts and co-ordination of our respective air services agreements. It must be of our mutual interest to improve market conditions in this field and to prevent any possible restrictions to the freedom to provide air services within the European Economic Area. This is a fundamental principle of our co-operation.

Finally, Mr. Chairman, the EEA - EFTA States are concerned about the fact that we still have a ban on the use of fishmeal in ruminant feed, which is not scientifically justified. On several occasions, *inter alia* in high level meetings, we have stressed the importance of lifting the ban.

The ban has a severe negative impact on trade within the Internal Market, with detrimental effects particularly in regard to Iceland. We would therefore like to take this opportunity to once again reiterate our request to lift the ban completely.

We are convinced that all Parties are working on this and will make an effort to find an acceptable solution to these matters. Also, we welcome recent progress made towards opening up for the possibility to introduce fishmeal in feed for young ruminants.

Concluding on a positive note, presentations requested by the EEA - EFTA States on issues of common interest have recently become more frequent within the EEA Joint Committee. The European Commission has thus provided briefings on international air transport agreements, the Lisbon Process, the Services Directive and the Financial Perspectives. We welcome these presentations, which have brought added value to our meetings.

Thank you for your attention.

6. **ORIENTATION DEBATE:**

ENERGY: GREEN BOOK AND THE ENERGY STRATEGY OF THE EUROPEAN UNION

Intervention of Mr. WINKLER, on behalf of the EUROPEAN UNION:

Dear Colleagues,

The Austrian Presidency began with the issue of Russia cutting the energy supplies from Ukraine and Moldova.

In today's world of global energy markets and environmental challenges linked to energy use, as well as increasingly tight balance between supply and demand, no country can expect to address energy issues in isolation.

The EU Energy Policy for Europe that is being developed, following the mandate given by the March European Council, reflects this reality and is built on a co-operative approach between Member States of the European Union and the EU energy partners.

It tries to achieve in a balanced way the three objectives of security of supply, sustainable development and competitiveness through the following actions:

- Achieving a competitive, liberalised internal market in gas and electricity by July 2007 and enhancing interconnections internally and with neighbouring countries;
- Adopting (end 2006) a Plan on Energy Efficiency, based on an energy saving potential of 20% by 2020, with a particular focus on transport and buildings;
- Developing further renewable energies in order to achieve existing targets (21% of renewable electricity by 2010) and to sustain the current efforts over the long-term on the share of renewable energies and the proportion of biofuels, as well as developing a medium and long-term strategy to reduce the dependency of the European Union on energy imports;

- Implementing (underway) a Biomass Action Plan;
- Completing (end 2006) the review of the Emissions Trading Scheme of the European Union as an instrument to achieve climate change objectives in a cost-effective manner, providing medium and long-term certainty to investors and assessing the potential of various sectors with respect to these objectives;
- Ensuring adequate support from Research Development and Technology (RD&T) National and Community instruments to energy efficiency, sustainable energies and low emission technologies.

Besides these actions pertaining to internal policies, in their Report to be considered by the European Council in a few days, the European Commission and the High Representative propose that the energy security approach of the European Union be built upon the following in the field of external relations:

- It combines the twin principles of energy security *through* foreign policy (i.e. foreign policy instruments supporting energy policy objectives) as well as energy security *in* foreign policy (i.e. efforts to promote energy security should be consistent with foreign policy objectives);
- Based on a series of principles (transparency and good governance; investor confidence; development of capacities; infrastructure safety and security; promotion of renewable and energy efficiency; implementing the *Kyoto Protocol* mechanisms, addressing non-proliferation concerns; etc.) the European Union intends to:
 - Diversify its fuels, sources and routes: a number of oil and gas projects are already identified in support of this diversification process;
 - Promote well-functioning markets and market-based rules in third countries;
 - Develop reliable risk assessment and monitoring capabilities, allowing early warnings to address emergency external supply events.

- Aiming to get these results, the European Union will step up its engagement of third (consumer, transit, supplier) countries, including at the highest political level, at the bilateral (e.g. Russia, Turkey, as well as the United States and China), but also the regional (expanding the approach of the Internal Energy Market to neighbouring countries) and multilateral level (G8/IEA)

Thank you.

Intervention of Mr. KOVANDA on behalf of the EUROPEAN COMMISSION:

Mr. Chairman,

The international energy situation is currently very challenging. The World has entered a new energy era, characterised by rapidly expanding energy demand with supply struggling to keep up. With global economic growth continuing at high levels, tight energy markets and increasing competition for energy will characterise energy markets for the foreseeable future.

In March, the European Commission published its Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy. In the Green Paper, the European Commission argues that these new energy challenges require a European response.

Europe has to identify its objectives and then to pursue them in a focused manner, speaking with one voice. European Heads of State and Government endorsed this analysis when they debated the Green Paper at the Spring Summit in March.

We need, therefore, to collectively develop answers to the key challenges facing us. I would like to highlight three of the most important issues:

- Based on current trends, the dependence of the European Union on imported energy will increase from almost 50% today to almost 70% in 2030. Regarding natural gas, our import dependency is set to rise from 50% today to over 80% in 2030. At the same time, we are failing to take advantage of the vast potential for energy efficiency and renewable energy;

- Meeting the challenges of climate change will require a massive cut in carbon-dioxide emissions over the next 25 years, and not just in Europe. This is a global challenge and needs a global answer. It also represents an opportunity for Europe to become world-leader in the emerging new generation of low carbon technologies, a multi-billion euro market of the future;
- Finally, how can we secure the massive investment needed to meet future energy demand from the European Union? The International Energy Agency has estimated that investments of as much as two trillion euros will be needed in the European Union alone over the next 25 years.

The Green Paper is the initial response of the European Commission. We are now preparing the elements for a new Energy Policy for Europe.

The European Commission plans to present before the end of the year a Strategic Energy Review of the European Union, which will encompass all the issues identified in the Green Paper, including external energy relations. The Strategic Energy Review of the European Union will begin to enable Europe to provide common answers, and then to pursue them collectively.

The EEA - EFTA States as partners in the internal energy market of the European Union should naturally be part of this process. The Green Paper is a consultative document, and the European Commission has therefore invited all stakeholders to submit their views. Of course, some EEA - EFTA States face a different energy reality than most of the Member States of the European Union. I am naturally thinking particularly of Norway which, as highlighted in the Green Paper, will play a crucial role in terms of security of supply of the European Union. For certain aspects, though, Iceland also is endowed with abundant indigenous energy resources.

In addition to the Green Paper itself, the European Commission has prepared, with the High Representative, *Javier Solana*, a Paper on the external dimension of Europe's Energy Policy. This paper will be the subject of discussion at the European Council this week.

Key elements and concrete suggestions are:

- To negotiate a comprehensive agreement with Russia covering all sources of energy. This could, if the principle is endorsed by the European Council, be included in the post-PCA Framework Agreement;
- To strengthen the dialogues between the European Union and its main producer, transit and consumer partners. We should develop a systematic approach and coherent framework to cover all the main producer and transit countries;
- To intensify our actions to extend the Internal Market to partner countries. We have a valuable instrument for that in the South East Europe Energy Community Treaty;
- Finally, we should not forget the multilateral level where many actions should take place. For example, we need to reinforce our co-operation with the International Energy Agency and to look at the possibility to extend its membership. We also need to promote an international agreement on energy efficiency.

To pursue the debate, the European Commission is organising a conference on the external aspects of energy security on 10 - 11 July 2006, in which key actors also from the EEA - EFTA States have been invited to participate.

I believe that we all share the same objectives. We all need a secure energy supply. For us, this means a coherent and ambitious external energy policy of the European Union. As stated in the joint paper, there is room for both an action at Member States' level and at the European Union's level. It is high time to work together in a more co-ordinated and consistent manner to achieve these objectives.

We understand that the Green Paper - and the international energy challenges that it raises - are already the subject of a large debate within the EEA - EFTA States. We welcome this. It is through debate and exchange of ideas that we will shape a workable Energy Policy. I now look forward to hearing your views on this important matter.

Thank you very much

Intervention of Mr. GUNNARSSON, on behalf of the EEA – EFTA States:

Mr. Chairman,

The EEA - EFTA States would like to welcome the *Green Paper on European Energy Policy*. The Green Paper outlines the major challenges for Europe when it comes to energy and puts forward important questions on future actions to meet these challenges. It is, however, only the first step in creating a common approach for Europe in the field of energy.

The Green Paper rightly identifies Sustainability, Competitiveness and Security of Supply as the main objectives of Europe's Energy Policy. Moreover, the six priority areas are all of great importance.

The Green Paper puts forward many interesting questions on possible measures which is important to consider in the context of an Energy Strategy for Europe. As a part of the Internal Energy Markets, the EEA - EFTA States must examine the Green Paper carefully and participate actively in the process. They must reflect on both national conditions and the good functioning of the European Economic Area Agreement and the Internal Market. This work could result in a Joint EEA - EFTA comment on the Green Paper.

If you now allow me to put on my Icelandic hat for a moment, I would like to start by briefly describing the energy situation in Iceland, which is unique in many respects.

Our electricity system is isolated, there are no gas transmission networks, our per capita energy consumption is practically the highest known, and the proportion of energy provided by renewable energy sources is greater than in other countries. About 70% of our stationary energy needs are met with energy from renewable resources, mainly hydro and geothermal. We are proud of our achievements in recent decades in utilising our resources. Over 99% of all electricity in Iceland is produced by renewable resources, either hydro or geothermal. Furthermore, approximately 88% of Icelandic housing is geothermally heated and 11% is heated by electricity. This means that practically all house heating comes from renewable energy sources.

However, the transport and fisheries sectors along with industrial processes are the largest contributors of greenhouse gas emissions. We have achieved much but have potential for more and our aim is to do even better and become virtually energy independent. Due to our unharnessed potential we have the theoretical possibility to reach that goal. Hydrogen technology is one option we are seriously pursuing with partners on both sides of the Atlantic for using local renewable energy resources to produce a pollution free energy carrier for vehicles and ships.

With this in mind, I would like to give you some preliminary reactions to the Green Paper. We are in the process of consulting with interested parties and hope to be able to respond to the Green Paper before the deadline. We feel that the strategic European energy technology plan is very important. It is of great importance to accelerate the development of new energy technologies. We are pleased to see that hydrogen and fuel cells are mentioned in this respect.

Another important area is the use of renewable energy sources. We agree that the full potential of renewable energy will only be realised through a long term commitment to develop and install renewable energy. Iceland is of the view that the most effective way to advance the transition to a global energy system for sustainable development would be through substantially expanding the share of renewable energy in world energy demand. It is also important to have in mind the differences in national situations and to allow for necessary flexibility. Energy saving and energy efficiency are of less importance in an energy system, such as ours.

Thank you very much

Intervention of Ms. KIEBER - BECK, on behalf of LIECHTENSTEIN:

Mr. Chairman,

The Principality of Liechtenstein has been Member of the Energy Charter from the very beginning, because we thought that this initiative, mainly due to the European Union, pointed into the right direction: liberalizing global energy markets, and, not least, foreseeing related transit rights.

In the same spirit, we welcome the strong thrust towards a European Energy Policy, as foreseen in the Presidency's Conclusions of the March European Council. In the meantime, under your Presidency, the European Union has made further steps in this direction.

The Principality of Liechtenstein, being a small producer of electric energy and importing most of this more and more expensive good, attaches great importance to a transparent European Economic Area market in this field.

Our Government has taken during the last few years quite a few steps to make energy saving more attractive and we think that quite a lot can still be done in Europe to save energy and use it more efficiently. However, even if we do the economic viable in energy saving and succeed in boosting renewable energy sources exponentially, we will still face a gap in Europe between demand and supply in the coming 15 years, which endangers economic growth. We, therefore, have to accept that far reaching policies are needed.

Let me therefore conclude, Mr. Chairman, that we will continue to support the European Union in a realistic approach to a politically delicate matter.

Thank you very much

Intervention of Mr. STØRE, on behalf of NORWAY:

Mr. Chairman,

I have noted with great interest what is expressed in both the Green Paper on Energy and in the Joint Paper by the Commission and the Secretary-General / High Representative on "*An External Policy to serve Europe's Energy Interests*".

I fully share the challenges described in the two Papers and I am confident that Norway – as a "strategic energy partner" for the European Union - will contribute in meeting these challenges. As a major oil and gas producer and exporter, Norway is actively participating in the current consultation process and will follow the coming discussions on this EU Policy and the Green Paper closely.

Norway is through the European Economic Area Agreement a full member of the Internal Energy Market. We have implemented the EU acquis regulating this Market and are directly linked to the European gas and electricity grids. Consequently, a formal relationship already exists as a basis for Norway's energy relations with the European Union. The energy dialogue we have with the European Union is very positive and complementary to the European Economic Area Agreement.

We put great emphasis in maintaining our reputation as a constructive and reliable partner when it comes to production and supply of energy, in particular of oil and of gas. It is therefore important for us to participate actively in the effort to develop new legislation for the Energy Market to function even better than today, a possibility we indeed have through the European Economic Area Agreement.

Taking into account that Norway through the European Economic Area is fully integrated into the Internal Market for Energy, Norwegian participation in the South-East Europe Energy Community would contribute to maintaining and developing a homogeneous European energy market.

Norway presented its wish to become Party to the Energy Treaty more than a year ago. Unfortunately, it was not possible to finalise the modalities for our participation in time for signing the Treaty in Athens last autumn, and we are now taking part as an observer.

Norway appreciates the support from the European Commission for our wish to be a partner to the Energy Community – the extension of one Internal Market. We would appreciate the Member States' support when the issue is moving to the Council of the European Union.

Norway has a very favourable geographical position close to the large gas markets in Europe. An extensive offshore gas transportation system paves the way for Norwegian gas to Europe.

The southernmost area of the Norwegian Continental Shelf is the most resource-rich and developed area.

In the areas further north - the Norwegian Sea and the Barents Sea – only about two per cent of the expected gas resources have been produced. These areas have a large potential for new discoveries.

Two major gas fields are being developed in the Norwegian Sea and the Barents Sea - *Ormen Lange* and *Snøhvit*.

Ormen Lange has triggered the development of a new large pipeline to the UK and will supply about 20 per cent of the UK gas consumption.

Snøhvit is the first field development in Norway based on an LNG solution and the northernmost LNG development in the world, located at 71 degrees north. The development of *Snøhvit* will provide a basis for further field developments based on LNG in the area. We hope that considerably more gas is to be found.

Today, Norway is the world's third largest exporter of oil and of natural gas. As 99 per cent of our natural gas production is exported, Norway is an essential supplier to the European Gas Market. Currently, we supply almost 15 per cent of European consumption, but Norwegian gas production is growing rapidly. We could produce around 50 per cent more by 2010 than this year (120 billion cubic metres - compared to 85 billion cubic metres).

Estimates shows that only 17 per cent of the total gas resources have been produced so far. Norway will thus remain a reliable and predictable energy supplier and energy partner for many years to come.

The huge *Stockman field* in the Russian part of the Barents Sea is likely to start producing gas around 2012. This gas field is one of the biggest ever to be exploited. Two Norwegian oil companies are among five companies on a short list for participation on the development of this field.

Opening up the Norwegian part of the Barents Sea for petroleum production will depend on a careful assessment of environmental risks and constraints. Operators on the Norwegian shelf have to abide by the world's most stringent environmental regulations.

The High North will be an area of particular strategic importance for Norway for many years to come. The strategic position of the area is gradually shifting from a military security perspective to a perspective more marked by energy security, sustainable resource management and climate change.

Dialogue on the High North with our most prominent partners, not least the European Union, is important.

In April, the Norwegian Government presented an Integrated Management Plan for our part of the Barents Sea, based on an ecosystem based approach and including standards for petroleum exploration, transport and fisheries, as well as ways in which to meet other environmental concerns.

A matter of particular importance to us is the need to continue and enhance co-operation between the Norwegian and the Russian Authorities in order to establish a high level of safety and environmental standards in the petroleum extraction activities in the Barents Sea.

“*Barents 2020*” is a research and development programme to help spur expertise needed to meet the major challenges we are facing in the north in terms of technology and management. A key focus will be on how to reconcile petroleum technology and environmental regulations.

We also hope that the *Barents 2020* can become a platform for co-operation and exchange of knowledge between Norwegian and international experts, not least from the European Union.

Thank you very much

Intervention of Mr. WINKLER, on behalf of the EUROPEAN UNION:

I think that brings us to an end of our orientation debate.

7. ADOPTION OF THE CONCLUSIONS OF THE 25th EEA COUNCIL

The EEA Council adopted the conclusions as set out in EEE 1602/1/06 REV 1.

8. OTHER BUSINESS

The EEA Council noted that there will be a debate on the Western Balkans, the Middle East, Darfur and Sri Lanka within the framework of the Political Dialogue.

Intervention of Mr. WINKLER, on behalf of the EUROPEAN UNION:

We have then concluded the examination of the points on our Agenda.

Allow me to express my satisfaction at the closure of this 25th meeting of the EEA Council meeting and thank all of you from the EEA - EFTA States, the EU Member States, the European Commission, the EFTA Secretariat, the EFTA Surveillance Authority and the EU Council Secretariat for your participation in this meeting.

Intervention of Mr. GUNNARSSON, on behalf of the EEA – EFTA States:

We do share your satisfaction at the end of this 25th meeting of our EEA Council.

Intervention of Mr. WINKLER, on behalf of the EUROPEAN UNION:

The meeting is closed.

Twenty fifth meeting of the

EEA COUNCIL

(Luxembourg, 12 June 2006)

List of Delegations

I. The Governments of the EEA – EFTA States were represented as follows:

THE REPUBLIC OF ICELAND

H.E. Gunnar Snorri GUNNARSSON	Permanent Secretary of State at the Ministry for Foreign Affairs
H.E. Mr. Stefán Haukur JÓHANNESSON	Ambassador, Head of the Mission of Iceland to the European Union
Mr. Högni KRISTJÁNSSON	Deputy Head of the Mission of Iceland to the European Union
Ms Lilja VÍÐARSDÓTTIR	Minister Counsellor, External Trade Department, Ministry for Foreign Affairs

THE KINGDOM OF NORWAY

H.E. Mr. Jonas Gahr STØRE	Minister for Foreign Affairs
H.E. Liv Minica STUBHOLT	State Secretary at the Ministry for Foreign Affairs
H.E.. Oda Helen SLETNES	Ambassador, Head of the Mission of Norway to the European Union
Mr. Niels ENGELSCHIØN	Assistant Director General, Ministry for

Mr. Didrik TØNSETH	Foreign Affairs Minister Counsellor, Mission of Norway to the European Union
Mr. Stein IVERSEN	Adviser Ministry for Foreign Affairs

THE PRINCIPALITY OF LIECHTENSTEIN

H.E. Rita KIEBER -BECK	Minister for Foreign Affairs
H.S.H. Prince NIKOLAUS of Liechtenstein	Ambassador, Head of the Mission of Liechtenstein to the European Union
Mr. Georges BAUR	Deputy Head of the Mission of Liechtenstein to the European Union
Mr. Pascal SCHAFHAUSER	First Secretary, Mission of Liechtenstein to the European Union
Mrs. Kerstin APPEL	Adviser to the Minister for Foreign Affairs

II. The Troika of the European Union was represented as follows:

THE FEDERAL REPUBLIC OF AUSTRIA **(PRESIDENCY-IN-OFFICE OF THE EUROPEAN UNION)**

Dr. Hans WINKLER	State Secretary for Foreign Affairs
Mr. Martin HOJNI	Cabinet of the State Secretary for Foreign Affairs
Dr. Claudia REINPRECHT	<i>Attaché</i> , Permanent Representation to the European Union, Chair of the EFTA Working Party at the Council of the European Union

Mr. Christopher HODEL

Ministry for Foreign Affairs, Delegate at the
EFTA Working Party at the Council of the
European Union.

THE REPUBLIC OF FINLAND

(INCOMING PRESIDENCY-IN-OFFICE OF THE EUROPEAN UNION)

Mr. Eikka KOSONEN

Permanent Representative to the European
Union

Mr. Roy ERIKSSON

Counsellor, Permanent Representation to the
European Union, incoming Chair of the EFTA
Working Party at the Council of the European
Union

EUROPEAN COMMISSION

Mr Karel KOVANDA

Deputy Director General and Political
Director, DG RELEX

Mr. Matthias BRINKMANN

Head of Unit - Western Europe, DG RELEX

Mr. Peter MEYER

Principal Administrator, Western Europe Unit,
DG RELEX

Ms. Julia KIROV

General Secretariat

COUNCIL OF THE EUROPEAN UNION - GENERAL SECRETARIAT

Mr. Paul CULLEY

Director DG E II, Trade, Development and
Non EU Western Europe;

Mr. Georgios KRITIKOS

DG E II/2 - Desk Officer for non EU Western
Europe

III. The European Free Trade Association (EFTA) was represented as follows:

SECRETARIAT

H.E. Mr. William ROSSIER	Secretary General
Mr. Øystein HOVDKINN	Deputy Secretary General
Mr. Pétur THORSTEINSSON	Deputy Secretary General
Mr. Harald E. NYBØLET	Director, EEA Co-ordination Division
Ms. Hrund HAFSTEINSDÓTTIR	Senior Officer, EEA Co-ordination Division, Secretary to the EFTA Standing Committee
Mr. Titus van STIPHOUT	Senior Legal Officer, EEA Co-ordination Division

SURVEILLANCE AUTHORITY

Mr. Bjørn T. GRYDELAND	President
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**EUROPEAN ECONOMIC AREA
Council of the EEA**

Brussels, 6 June 2006

**EEE 1603/1/06
REV 1**

REPORT

Subject : Progress Report by the EEA Joint Committee to the 25th meeting of the EEA Council

Decision-making

1. Since the last Report to the EEA Council, the EEA Joint Committee has adopted 94 Decisions, incorporating 216 legal acts. New acts are being integrated at a high speed. There are few long-outstanding issues or procedural delays.

Decision-shaping

2. On the basis of the relevant provisions of the EEA Agreement, EEA - EFTA experts continued to contribute to the work of Commission's Working Groups and Committees active in the different areas of the Agreement. In the first half of 2006, two EEA - EFTA Comments were submitted.

New Community bodies

3. All principal issues relating to EEA co-operation in new EU Agencies have been concluded. Regarding the incorporation of the general food law regulation which i.a. establishes the

European Food Safety Authority (EFSA), the Parties are actively working on finalising a draft EEA Joint Committee Decision.

4. EEA - EFTA participation in EEA-relevant EU Programmes has also continued to be important in our co-operation. This participation entails a co-financing by the EEA - EFTA States and contributes to the strengthening of the EEA co-operation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The Parties are making every effort to achieve a timely participation and financial contribution of the EEA - EFTA States in EEA relevant EU Programmes under preparation for the period 2007 - 2013.

Implementation of the EEA Enlargement Agreement

5. The European Economic Area was enlarged on 1 May 2004. In order to ensure the parallel entering into force of the EU and EEA Enlargement Treaties on 1 May 2004, the Parties had agreed that the EEA Enlargement Agreement would be applied provisionally until all Contracting Parties would have ratified it. The objective of simultaneous enlargement of the European Union and of the European Economic Area was thus fulfilled. The EEA Enlargement Agreement which had been applied provisionally as from 1 May 2004 entered permanently into force on 6 December 2005, when all Contracting Parties had ratified the Agreement.
6. The European Economic Area is expected to expand further with Bulgaria and Romania when they join the European Union, which is anticipated in 2007. Simultaneous accession of new members to the European Union and to the European Economic Area is a common objective of all parties concerned in order to secure the homogeneity and the good functioning of the European Economic Area.

New Financial Mechanisms

7. The Financial Mechanisms, which were established in May 2004 in connection with the EU and EEA enlargement, have now fully entered the implementation phase with more than 300 million euros already made available to applicants through open calls for proposals in nine out of the 13 beneficiary States and with calls for proposals planned over the next few

months in the remaining beneficiary States. From these calls for proposals, more than 2,500 applications have been submitted in the beneficiary States, which are responsible for prioritising applications to be sent for further appraisal by the Financial Mechanism Office, screening by the European Commission and decision-making by the EEA - EFTA States.

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**EUROPEAN ECONOMIC AREA
Council of the EEA**

Brussels, 12 June 2006

**EEE 1602/1/06
REV 1**

DRAFT CONCLUSIONS

Subject : Draft Conclusions of the 25th meeting of the EEA Council on 12 June 2006

1. The twenty-fifth meeting of the EEA Council took place in Luxembourg on 12 June 2006 under the Presidency of Mr. *Hans Winkler*, State Secretary for Foreign Affairs of Austria. The meeting was attended by Mr. *Gunnar Snorri Gunnarsson*, Permanent Secretary of State at the Ministry for Foreign Affairs of Iceland, Ms *Rita Kieber-Beck*, Minister for Foreign Affairs of Liechtenstein, Mr. *Jonas Gahr Støre*, Minister for Foreign Affairs of Norway, by Members of the Council of the European Union and by a Representative of the European Commission.
2. The EEA Council noted that within the framework of the Political Dialogue the Ministers discussed the situation in the Western Balkans, the Middle East and Darfur.
3. The EEA Council welcomed the finalisation of the ratification process of the EEA Enlargement Agreement on 6 December 2005 when all Contracting Parties had ratified the Agreement. To ensure the parallel application of the Treaty concerning the accession of the ten new Member States to the EU and of the EEA Enlargement Agreement on 1 May 2004, the Parties had agreed to apply the EEA Enlargement Agreement provisionally until all Contracting Parties would ratify it. The objective of simultaneous enlargement of the EU and the EEA was thus fulfilled.

4. The Ministers appreciated the good progress made in the implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism. Necessary preparations have been completed and the Financial Mechanisms are now in the stage of project generation and implementation. The importance of openness, transparency and broad participation in the implementation was underlined. The EEA Council welcomed the launching of calls for proposals in Poland, the Czech Republic, Hungary, Portugal, Slovakia, Slovenia and Malta, which have made around 300 million euros available to potential applicants. The EEA Council reiterated that the Financial Mechanisms provide opportunities to strengthen relations between the EEA - EFTA States, Norway and the beneficiary EU Member States.
5. The EEA Council welcomed the applications of Bulgaria and Romania to become Contracting Parties to the EEA Agreement and recalled that Article 128 of the EEA Agreement states that any European State becoming a member of the Community shall apply to become a Party to this Agreement. The Parties concerned were therefore asked to rapidly launch negotiations of the respective Enlargement Agreement with a view to its timely conclusion. The EEA Council stressed the common objective of the simultaneous accession of new members to the EU and to the EEA, in order to secure the homogeneity and the good functioning of the European Economic Area.
6. The EEA Council encouraged all Contracting Parties to inform relevant actors on the EEA Agreement, in order to facilitate a smooth functioning of the Agreement and to safeguard the interests of economic operators throughout the EEA.
7. The EEA Council noted that the Strategy for Growth and Jobs is moving forward, with a stronger focus on the National Action Plans, as well as on the Commission's Action Plan of Community level proposals, which to a large extent are relevant to the EEA Agreement. The Spring European Council took stock of progress of the revised strategy, whilst identifying energy policy co-ordination as important for promoting growth and competitiveness.

8. The Ministers welcomed the Plan of the Commission to establish a new Internal Market Policy to replace the current strategy which runs out in 2006. They noted that the EEA - EFTA States provided input to this process.
9. Regarding the review of the overall work in EEA co-operation, the EEA Council noted the Progress Report of the EEA Joint Committee. The Ministers welcomed the continuation of well-functioning co-operation, and the speedy incorporation of new legislation for the Internal Market into the Agreement.

The EEA Council in particular:

- Welcomed the timely EEA - EFTA participation in EEA-relevant EU Agencies and looked forward to a Decision by the EEA Joint Committee on EEA - EFTA participation in the European Food Safety Authority (EFSA) in the near future.
- Welcomed the progress made in the review of Chapter 1 of Annex I of the EEA Agreement regarding Iceland.
- Welcomed the progress made towards reaching an agreement on the incorporation into the EEA Agreement of the directive on Greenhouse Gas Emission Trading Scheme.
- Recalled the aim of maintaining the good functioning of the Internal Market in the field of civil aviation. In that context, the EEA Council noted the common interest of the EU and of the EEA - EFTA States in further developing the close ties in this field, in particular in the incorporation of common rules and principles governing the organisation of the European airspace (Single European Sky) into the EEA Agreement. The EEA Council also noted that the EU and the EEA - EFTA States continue to pursue close informal contacts with respect to the EU's Open Skies Policy. Furthermore, the EEA Council encouraged all Contracting Parties to prevent any possible restrictions to the freedom to provide air services within the EEA, such as discriminatory charges or tax measures.

- Welcomed the progress made towards better regulation within the Internal Market and especially the constructive process which has been launched towards the development of a future Internal Market Policy.
- Welcomed the continued constructive dialogue in order to find a practical solution with regard to the new safety and security system (pre-arrival/pre-departure declarations) and thereby to avoid obstacles to the free movement of goods within the EEA.
- Acknowledged the EEA - EFTA stake in the efforts to establish an improved general framework for services in the Internal Market.
- Welcomed the continued EEA - EFTA contributions in the decision-shaping process of EEA-relevant EC legislation and programmes through i.a. participation in appropriate Committees and Working Groups, and through EEA - EFTA Comments.
- Welcomed the conclusion of the review foreseen of Article 19(3) of the EEA Agreement with regard to Iceland.
- Welcomed the opening of the review foreseen of Article 19(3) with regard to Norway.
- Reaffirmed the importance of EEA - EFTA participation in EEA-relevant EU programmes. This participation is co-financed by the EEA - EFTA States and contributes to the strengthening of the EEA co-operation outside the four freedoms of the Internal Market, thereby promoting the common political and economic goals attached to the EEA Agreement. The EEA Council encouraged all Parties involved to make every effort to achieve a timely participation and financial contribution of the EEA - EFTA States in EEA relevant EU programmes under preparation for the period 2007 - 2013.

10. The EEA Council reaffirmed the shared aim of creating stable, peaceful and prosperous relations with the neighbouring countries. The EEA Council acknowledged that giving neighbourhood countries or third countries a stake in the Internal Market would be mutually beneficial to all Parties involved and of relevance to the EEA. The EEA Council welcomed

the continued exchange of information on further developments of the European Neighbourhood Policy.

11. The EEA Council held an orientation debate on *Energy: Green book and the EU energy strategy*.
12. The EEA Council recognised the desirability of inviting EEA - EFTA Ministers to attend relevant informal EU Ministerial Meetings as well as Ministerial Conferences on the basis of EEA - EFTA participation in the Internal Market. The EEA Council also recalled the practice of inviting the EEA - EFTA States - at the level of officials - to political dialogue meetings with relevant Council Working Parties in Troika format and expressed its appreciation to the incoming Finnish Presidency for the continuation of this practice.
13. The EEA Council noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 25th meeting on 23 November 2005 in Brussels, on *The adopted Resolutions of the EEA JPC 2000-2005* and on *New Environmental legislation and the EEA*. The EEA Council also noted the Resolutions of the EEA Joint Parliamentary Committee adopted at its 26th meeting on 23 May 2006 in Tromsø, Norway, on *The Annual Report on the functioning of the EEA Agreement in 2005* and on *Europe's High North: Energy and environmental issues*.

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