



*European Commission
contribution to the European
Council and the Euro Summit*

**Commission Recommendation
on the international role of
the euro in the field of
energy**

5 December 2018





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COMMISSION RECOMMENDATION

of 5.12.2018

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) The euro is a stable, reliable and globally recognised currency widely accepted for international payments. About 36% of the value of international transactions were invoiced or settled in euros in 2017. The euro represents around 20% of international reserves of foreign central banks. This is more than the share of the euro area in the worldwide gross domestic product (GDP).
- (2) Energy commodities, in particular crude oil, are the most traded raw materials in the EU and worldwide. Annual traded volumes on European energy markets exceed EUR 40 trillion. Over 90% of the aggregated transactions related to oil, gas and other energy commodities are executed in currencies other than the euro.
- (3) The EU is the largest energy importer in the world, importing more than half of the energy it consumes. Europe is importing around 90% of the oil it needs and around 70% of its gas needs.
- (4) In the last 5 years, the EU external energy bill amounted to about EUR 300 billion a year on average. The vast majority of long term contracts underlying the EU energy imports (an estimated 80-90%) are not referenced in euros, while the greatest share of EU energy imports originates from Russia (ca. 34%), the Middle East and Africa (ca. 33% combined), and Norway (ca. 20%, split roughly in half for oil and gas; gas delivered under euro-denominated contracts).
- (5) Energy relations between Member States and third countries are frequently underpinned by intergovernmental agreements, many of which relate to the purchase of oil and gas. Such agreements provide the framework, political support and legal certainty for European companies negotiating commercial contracts with energy suppliers in third countries.
- (6) Pursuant to the Oil Stocks Directive (2009/119/EC), the Member States maintain emergency stocks of crude oil and/or petroleum products. To satisfy the stockholding obligation, they rely on Central Stockholding Entities and obligated economic operators who acquire, maintain, manage and sell emergency oil stocks and specific stocks.
- (7) Price benchmarks for crude oil quoted by price reporting agencies are used as a reference for oil supplies. They also serve as an underlying reference for other energy commodities, such as natural gas as well as derived financial instruments for crude oil or petroleum products. Currently, there are no price benchmarks for crude oil denominated in euro.

- (8) A number of gas trading hubs have developed in Europe, where gas products denominated in euros are traded. While the share of contracts whose prices are based on gas hubs is growing, a number of supply contracts rely fully or partially on oil-indexed contracts which are not denominated in euro. For mature gas markets, the traded volumes on the hubs are larger than actually consumed volumes.
- (9) Companies providing financial services play an important role in providing access to capital, insurance and risk management tools to project promoters across the entire value chain of energy supply.
- (10) Strengthening the international role of the euro in the field of energy trade and investment, while ensuring general economic efficiency, will help to achieve the EU energy policy objectives and reduce the risk of disruption of energy supplies. European businesses will enjoy stronger autonomy, allowing them to pay or receive payments for their international trade, and finance themselves with reduced exposure to legal actions taken by third country jurisdictions.
- (11) This Commission Recommendation provides a non-exhaustive guidance for achieving a wider use of the euro in the energy sector in view of the specific requirements set out above.

HAS ADOPTED THIS RECOMMENDATION:

Wider use of the euro in international agreements and non-binding instruments related to energy

- (1) Member States should promote the wider use of the euro in relations with third countries in the field of energy, including in contracts within the framework of bilateral and multilateral international agreements or non-binding instruments such as memoranda of understanding.
- (2) The Commission calls on Member States to include in their intergovernmental agreements with third countries a model clause, developed by the Commission, related to the use of euro as a default currency.
- (3) The Commission will systematically draw the attention of the Member States to the use of euro as part of the opinion it issues to Member States in the framework of the Article 4(1) of the Decision (EU) 2017/684 of the European Parliament and of the Council on establishing an information exchange mechanism with regard to intergovernmental agreements and non-binding instruments between Member States and third countries in the field of energy (IGA Decision). When possible, Member States should follow a similar approach in respect of energy-related non-binding instruments.

Wider use of the euro in energy-related transactions of European market participants

- (4) Member States should encourage and facilitate a wider use of the euro by European market participants in transactions in the field of energy.
- (5) Central Stockholding Entities set up by Member States under Directive 2009/119/EC and obligated economic operators should widen the share of euro-based contracts related to acquiring, maintaining, managing and selling emergency oil stocks and specific stocks, including those related to stocks held under bilateral agreements, or under contractual rights to purchase certain volumes of stocks (tickets).
- (6) Participants in European energy markets should use more energy-related contracts denominated in euro.

- (7) Market participants should facilitate the emergence of and promote liquid gas hubs in the EU, with prices for underlying and derived products denominated in euro, to support the wider use of hub-indexed prices and, as a consequence, the denomination of such contracts in euro.
- (8) Price-reporting agencies should facilitate the launching of euro-denominated price benchmarks for crude oil.
- (9) Commodity exchanges should facilitate the further development of euro-denominated derivative contracts on crude oil and refined products.

Wider use of the euro for energy related projects and transactions by companies providing financial services

- (10) Member States and European companies providing financial services should encourage a wider use of the euro for energy related projects and financial transactions.

Monitoring

- (11) Member States should communicate to the Commission, on a yearly basis, all available detailed information regarding the state of implementation of this recommendation.

Review

- (12) The Commission will review the implementation of this recommendation three years after its adoption and assess whether further measures are required, taking into account information submitted by the Member States.

Addressees

- (13) This Recommendation is addressed to the Member States, Central Stockholding Entities set up by Member States under Directive 2009/119/EC and obligated economic operators, participants in European energy markets, price-reporting agencies, commodity exchanges, and European companies providing financial services.

Done at Brussels,

For the Commission
Valdis DOMBROVSKIS
Vice-President

