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THE EU ENERGY DEBATE: THE BIG ISSUES

A. Internal energy market : unbundling

1. Effective unbundling of the generation/supply of energy and its transmission is one of the key elements for establishment of the truly open and competitive internal market which is missing today.
2. An effective unbundling regime means a regime which:
 - a) creates fair and equal access to the network, which is a prerequisite for good market functioning;
 - b) increases competition in the context of existing infrastructure;
 - c) encourages investment in new infrastructure;
 - d) is transparent so that its operation can be verified.
3. BUSINESSEUROPE considers that the logical approach for establishing an effective unbundling regime must start with complete implementation, in letter and spirit, of the existing legislation on legal and functional unbundling.
4. In the case that application of the existing Community regulation would prove insufficient to meet the objectives in view, a next step will be needed (new Commission initiatives).

B. Internal energy market: other issues

BUSINESSEUROPE supports the mandate given to the Commission by the 15 February Energy Council for designing proposals ensuring:

- strengthening of the independence of national energy regulators;
- the establishment of an independent mechanism for national regulators to cooperate and take decisions on important cross-border issues;
- the creation of a new Community mechanism for Transmission System operators to improve coordination of network operation and grid security building on existing cooperation practices;
- a more efficient and integrated system for cross-border electricity trade and grid operation, including elaboration of technical standards;
- the enhancement of competition and security of supply through facilitated integration of new power plants into the electricity grid in all Member States, in particular encouraging new market entrants;
- increased transparency in energy market operation.



C. Renewables

The 20% target for renewable energies adopted by the Energy Council seems to be a huge figure compared with the current 6% share in the EU. It seems very ambitious to more than double the share in the EU before 2020. This will only be technically feasible if it is done in combination with a massive build-out of the current infrastructure, to enable large and sudden inflows to the grid system of electricity based on renewable energies. Furthermore, there is a need to move towards further harmonisation of the existing national support schemes for the use of renewables in the production of electricity, if the overall target should at all be possible to achieve cost-efficiently. All these elements mean that it is necessary to retain the non-binding character that the Energy Council conferred on this 20% target.

D. Competitiveness of energy-intensive industries (EII)

The Commission energy/climate change package defines a number of quantitative targets for the environment but lacks clear and measurable objectives for the protection of European competitiveness.

In the EU's current external and internal economic context, EII are condemned to bear a crushing share of the additional costs linked to implementing the package. These additional costs will be particularly high due to the absence of a truly competitive, Europe-wide energy market. As the creation of this market will take a number of years, it is necessary to put in place adequate frameworks for promoting EII during this transition period. What is needed is to create favourable conditions and incentives in order to enable energy-intensive consumers to enter long-term contracts and other arrangements which:

- take into account the special consumption characteristics of energy intensive consumers (base load electricity, long-term stable uptake of gas);
- enable planning certainty for providers and users;
- are in line with EU and national competition law.

E. Nuclear energy

The Commission has made an important step when underlining the interest of nuclear energy in economic and climate protection terms. Steps must now be considered so that, in 2030, the share of nuclear in electricity generation will significantly increase, as compared to the 32% present figure. Based on the energy security and climate challenges on the one hand, and on the economic data on the other hand, BUSINESSEUROPE believes that a move to a share of 40% should be considered. An increased contribution by nuclear energy would help to promote the competitiveness of energy intensive industries.



There is in particular an urgent need to explain to the public opinions why nuclear has an important role to play, and to show that there exist adequate solutions to master all the environmental impacts of this form of energy.

F. External energy policy

1. Common EU Framework for an external energy policy

- a) BUSINESSEUROPE calls for a common framework to anticipate and react to energy disruptions by sharing information between Member States about external energy vulnerability, strategic oil and gas stocks, possible energy shortages and disruptions as well as critical infrastructure risks. The Framework should clarify the principles, responsibilities, partnerships and resources of a European External Energy Policy.
- b) The EU should develop a common strategy with a focus on energy efficiency, trade issues, technology cooperation and cooperation with industries in multilateral institutions.
- c) In the regional pillar, the EU should ensure the full implementation of the Energy Charter to protect investor rights and open participation in the Energy Community.
- d) At the bilateral level, the EU should strengthen cooperation with producer, transit and consumer countries to promote investment in energy development and to cooperate on energy efficiency.

2. A clearly defined energy diversification and access strategy

- a) For an effective energy security policy, the EU must reflect on an appropriate division of competences between the EU institutions and Member States. BUSINESSEUROPE believes that some aspects of internal and external energy policy will have to be coordinated at the European level to effectively achieve these aims.
- b) The EU should foster an internal enabling environment, reciprocity in investment, legal stability for long term gas contracts and political and financial support for priority energy interconnection projects.

3. Strengthening international partnerships

BUSINESSEUROPE calls for a strengthening of international partnerships with key producing and transit countries as well as relations with major consumers to promote open and competitive global energy markets, energy efficiency, regulatory cooperation and research. Priority countries are Russia and Algeria.