

25 February 2008

BUSINESSEUROPE statement in advance of the Energy Council of 28 February 2008

With a view to the wide exploratory debate that the Council will hold on 28 February on completion of the internal energy market, BUSINESSEUROPE would like to set out the following expectations:

1. Governance of the internal energy market

BUSINESSEUROPE wants fundamental improvements to be made to the current governance model. The Commission's proposals go in the right direction, but we believe that they do not yet address all the deficiencies in the current decision-making processes, notably regarding effective decision-making on creation of the necessary cross-border investments, and for adoption of modern technical and commercial codes in relation to these infrastructures. The proposed Agency of for the cooperation of energy regulators could play a key role in this context.

2. Unbundling

BUSINESSEUROPE would like to reiterate its position that the logical approach for establishing an effective unbundling regime must start with complete implementation of the existing EU legislation and full evaluation of its potential. The pros and cons of a radically new approach (ownership unbundling or the ISO Model-Independent System Operator) should be assessed against that background. In this context, a close examination should be done of the unbundling proposal submitted by eight Member States. All the proposals on the table should be examined paying special attention to the guarantees they give for realisation of fair and non-discriminatory access to networks and for realisation of the necessary investments in cross-border and related infrastructures, while fully respecting the principle of proportionality. The specific issues arising in connection with security of gas supply should also be considered.

3. Long-term agreements between producers and industrial energy users

BUSINESSEUROPE considers that the Commission September 2007 package of proposals should have included a strategic vision on long-term agreements.

These are an essential element to ensure that energy-intensive industrial consumers can fulfil their electricity and natural gas needs in the medium and long-term at reliable, internationally competitive prices, in particular as long as market deficiencies persist in the EU. Favourable conditions and incentives should be created for the development of such contractual arrangements, in line with EU and national competition law, and in a way that does not hinder the development of the internal energy market. In this regard, development of a clear and well thought-out EU framework for long-term agreements is vital.

4. Renewables

BUSINESSEUROPE acknowledges the role of renewable energy sources for tackling the energy and climate challenges. Nevertheless, as it will be extremely costly to reach the EU's ambitious renewable targets by 2020, the directive on the promotion of the use of energy from renewable sources must allow for utmost flexibility and market-based instruments to minimise the costs of reaching these targets. Given the expected substantial cost increases for electricity and raw materials as a consequence of renewable energy policies, mitigation measures especially for energy-intensive industry sectors and sectors exposed to international competition should be developed.

In particular, the EU will face a huge challenge to provide the biomass needed to reach the 10% target for biofuels in transport. Based on the recent study by the European Commission's Joint Research Centre (JRC) the EU should put all efforts into ensuring a breakthrough in second generation biofuels, which is imperative to reaching the 10% target in an environmentally optimal way.
