

Joint Messages

Roundtable of European Energy Industrialists Brussels, 7 February 2013

Empowering Market and Consumers

The Roundtable of European Energy Industrialists, meeting in Brussels on 7 February 2013, represents companies that will invest more than € 75 billion by 2020. Between now and 2050, the energy industry as a whole will create millions of jobs and make a considerable contribution to economic growth.

Europe is now preparing its next vital steps towards a green energy transformation so comprehensive, that it overshadows all previous attempts at climate change mitigation around the world. By taking global leadership in realizing a low-carbon future, Europe's investment in infrastructure may foster a recovery from the economic downturn.

Above all, the Roundtable of European Energy Industrialists believes that *the future is electric*, and that efficient electricity markets must be crucial in implementing this transformation. We therefore support the commitment of the European Commission to complete the internal energy market without delay.

In summary,

- better markets,
- stronger grids, and
- smarter technologies

are keys to Europe's energy transformation.

1. Better Markets

The internal market is fundamental to efficient use of resources. In the short-term electricity market integration leads to increased liquidity and transparency in wholesale markets, more competitive prices and more freedom for consumers. In the long term, well-functioning electricity markets, stable regulatory regimes and a robust emission-trading scheme will provide the signals for efficient investments. The reality, however, is that progress to complete the internal electricity market is slow and many energy companies are having to deal with significant and rapid moves back to re-regulation of the sector at national levels. Likewise the current mechanisms for supporting low carbon generation are expensive for customers and provide the wrong incentives for operators. Taken as a whole, the existing design of European electricity markets is unsustainable.

Empowering the market: European energy and climate policies are designed to achieve several goals: more renewables, less CO₂ and energy efficiency. There has, however, been insufficient coordination of policy measures. The result is a complex web of national and European measures that lack transparency and have led to unintended effects, such as the collapse in the CO₂ price. The EU ETS should be the only tool to drive down emissions and ensure a low carbon path for Europe. However, the scheme has not lived up to its expectations and reform is necessary to re-establish the ETS at the center of European climate policy. Meanwhile renewable policy needs to change so that all generators have the same incentives to dispatch efficiently and contribute to market liquidity.

Empowering consumers: The energy transformation will not work with passive consumers. We need, through new technology and new contractual structures, to encourage much greater consumer engagement in the market. This has the potential to dramatically reduce the cost of integrating low carbon generation.

New market framework: The increasing ratio of volatile production from RES will require significant capacities of flexible generation. The current market design must therefore be improved. The Roundtable recognizes that generation adequacy and security of supply are real concerns. However, it is in Europe's interest to ensure that any future capacity mechanisms are transparent, in line with the principles of the internal market and that they do not reduce the efficiency gains that should come with ever-closer market integration.

2. Smarter technologies

The rollout of smart metering must be accompanied by coordination of technology standards and a regulatory framework that realizes the benefits of smart technologies by encouraging consumer engagement in the market. This requires close cooperation with the ICT-sector to promote technology development and foster innovative solutions. There is a need for common ICT solutions based on open standards for easy and cost efficient access for all market participants. The Commission should further ensure this first leap towards a truly smart electricity system.

The new decentralized and renewable system requires a much higher level of communication and commercial interaction between producers, consumers and system operators. The Roundtable therefore supports European coordinated national action plans for swift deployments of smart grids.

3. Stronger grids

Electricity networks need to be modernized to meet the more volatile local production and increasing demand for electricity due to the multiplication of applications and technologies relying on electricity. Electric vehicles, heat pumps and new information and communication devices will make important contributions to this transformation.

Our electricity systems must be better connected. Without better infrastructure for electricity, it is impossible to exploit the potential for green technologies, for example to absorb ever more electricity from offshore wind and photovoltaic. The solution is to build more strategic interconnections today, in order to realize the electric future of tomorrow, including the better exploitation of flexible resources such as hydro.

However, main obstacles for grid investments remains the difficulties in obtaining permits, lack of public acceptance and the uncertainties related to the regulatory environment. The Roundtable therefore supports the Commissions efforts to diminish these obstacles through the Infrastructure regulation and the Connecting Europe Facility (CEF).

What is the Roundtable of European Energy Industrialists?

The Roundtable is meeting annually to contribute to the development of an interconnected European grid with empowered markets and consumers. The Roundtable of European Energy Industrialists consists of CEOs from leading European energy companies and TSO's (Elia, E.ON, Fingrid, Fortum, National Grid, RTE, RWE, Statkraft, Statnett, Swissgrid, TenneT). The Roundtable has met since 2011 and is hosted by Statnett.