



Energy Policy Green Paper

Florence Forum

September 2006



IFIEC is a strong supporter of the new energy strategy for Europe.

The objective of the Green Paper should complete the internal energy market and provide a secure and competitive energy supply to industrial users.

It is absolutely crucial that the Green Paper recognizes the competitiveness of EU industrial users, thereby contributing to growth and jobs.



Conditions allowing affordable and internationally competitive prices to emerge are needed

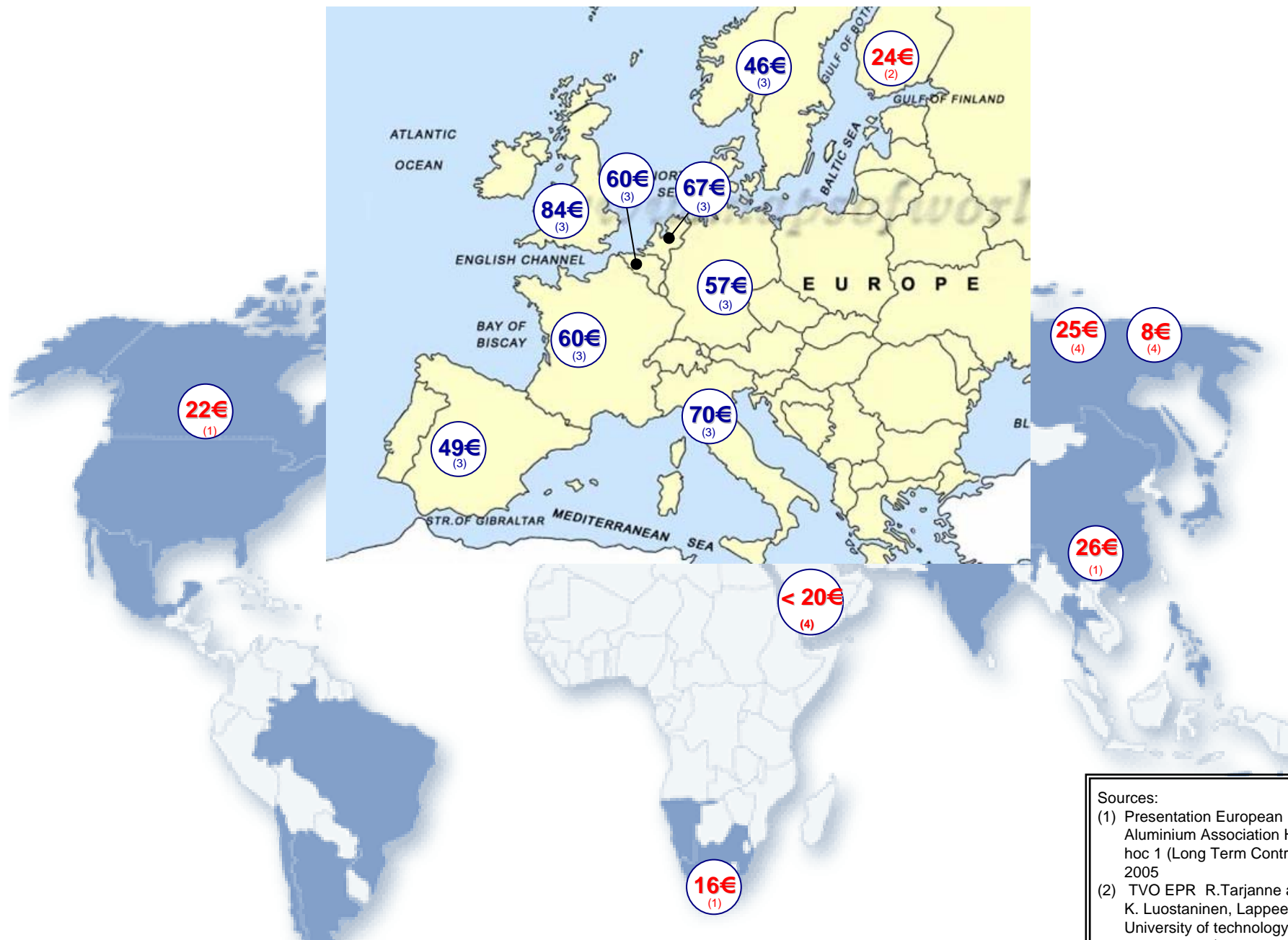
The electricity market is not functioning (strong position of suppliers, pass through of “free” CO₂ allowances on the market price)

Solutions are needed

- long-term contracts based on **fair** prices which should result on bilateral negotiations between producers and suppliers (e.g. Finnish solution)



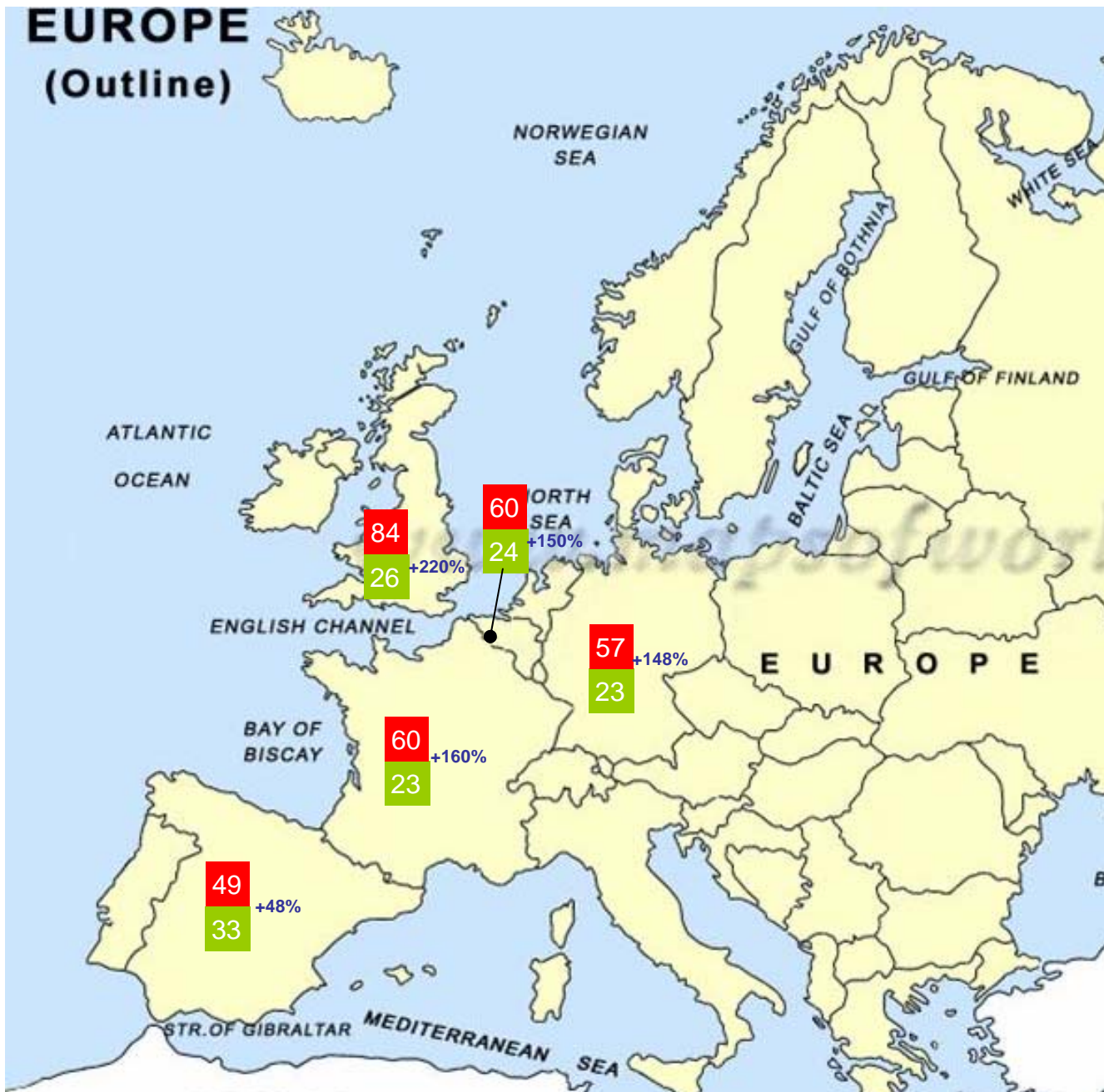
Price evolution & international comparison



World Map of electricity prices (€/MWh)

Sources:

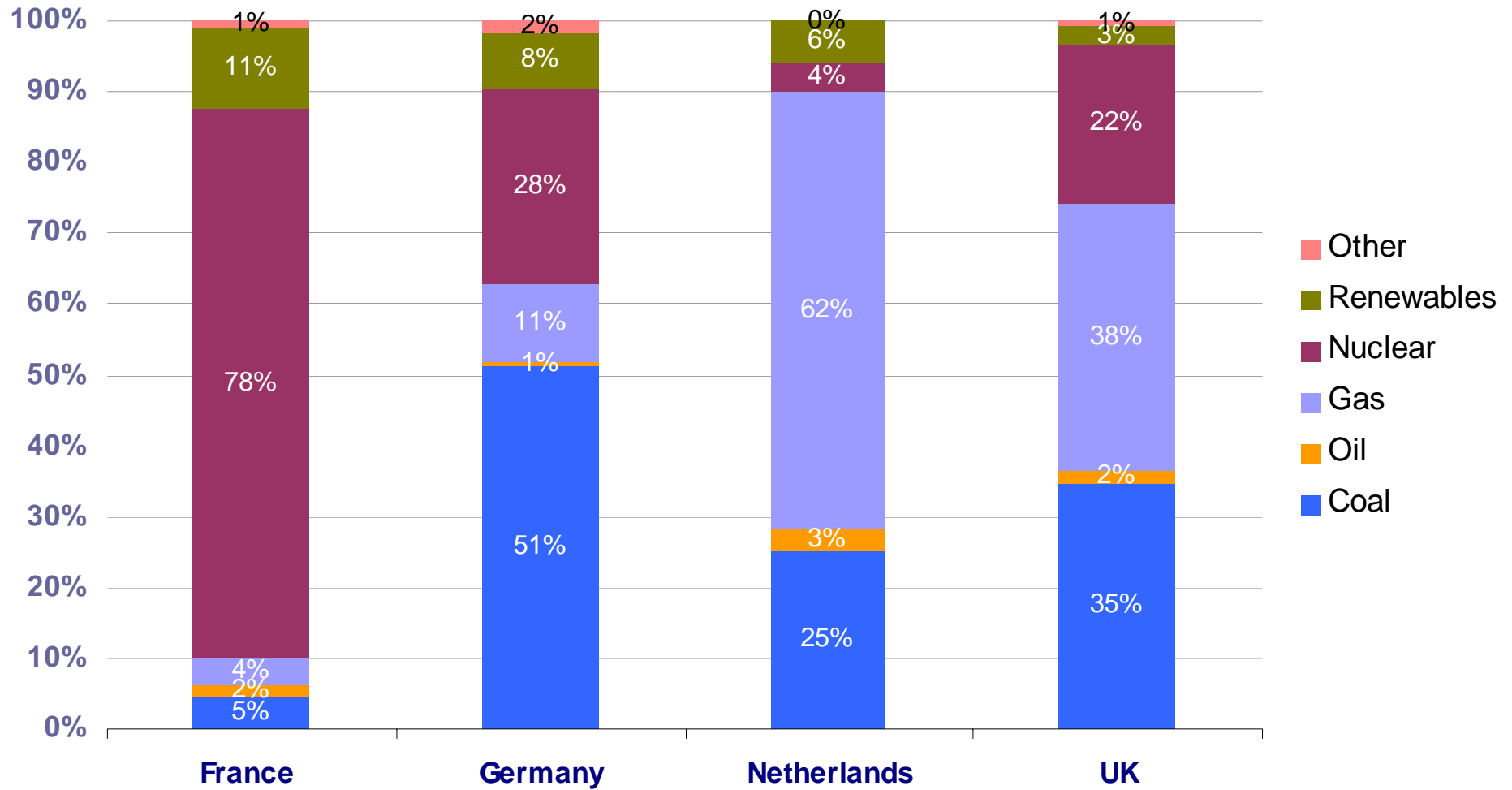
- (1) Presentation European Aluminium Association HLG-Ad hoc 1 (Long Term Contracts) - 2005
- (2) TVO EPR R.Tarjanne and K. Luostaninen, Lappeenranta University of technology (Long term contract) - 2003
- (3) Platts Base load year 2007 (Platts 4 April 2006)
- (4) CEFIC



Map of electricity ballooning prices in Europe (€/MWh)

Platts Base load 2007 (€/MWh)
Platts Base load 2002 (€/MWh)

Fuel mix in Electricity generation





Additional regulatory measures are required :

- the swift and forceful removal of **all** barriers of free competition should be the priority of the Green Paper result.
- 3rd legislative package including all crucial recommendations for better market functioning (e.g. ownership unbundling of TSO's and DSO's - limitation of generators market share by creating a “copper plate” without border and auction from Latvia to France).
- removal of the existing price setting mechanism (price levels at the power exchanges do not reflect fundamentals).



Solutions for intensive users and security of supply



Energy mix :

- intensive industrial users present predictable, base load and long-term basis profile with also a certain capability of load shaving and load shedding.
- these specific requirements are totally complementary of nuclear energy.
- EU and Member States have to ensure the access (co-investment ?) to nuclear power plant for intensive industrial users as it is the case in Finland.



A lot of advantages :

- predictable and competitive prices for industrial users (less than 25-26 €/MWh in Finland)
- solution for security of supply (new investment to replace ageing power plant)
- “0” CO₂
- energy independence (less gas from Russia).



In case of nuclear is not accepted, dedicated pooled generation based on coal power plants with several conditions:

- Free allocation of CO₂ on a long-term basis
- specific tariff for unplanned outages
- no fee to connect the power plant to the grid
- specific financial status to avoid consolidation
- fiscal tax rebate



All these new dedicated investments will improve :

- security of supply
- market functioning (new entrants)
- competitiveness of intensive users