

POLICY ISSUES IN ENERGY MARKET



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POLICY ISSUES IN ENERGY MARKET




SOME RECENT POLICY PAPERS

- 12/2010 PROPOSAL ON MARKET INTEGRITY AND TRANSPARENCY
- 06/2011 PROPOSAL ON ENERGY EFFICIENCY DIRECTIVE
- 10/2011 PROPOSAL FOR CONNECTING EUROPE FACILITY
- 12/2011 COMMUNICATION ON ENERGY ROADMAP 2050
- 06/2012 COMMUNICATION ON RES POLICY POST 2020
- 07/2012 PROPOSAL ON ETS BACKLOAD
- 10/2012 ENERGY EFFICIENCY DIRECTIVE (REPEALING PREVIOUS)
- 11/2012 COMMUNICATION ON THE INTERNAL ENERGY MARKET

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ENERGY ROADMAP 2050 : TARGETS RATHER THAN FRAMEWORK

- ▶ NEEDS TO PROVIDE TECHNICALLY AND ECONOMICALLY POSSIBLE DEVELOPMENT SCENARIOS AND CREDIBLE TIME-SCHEDULES FOR REDUCTION OF GHGs
- ▶ NEEDS EQUAL STRONG ACTIONS FROM OTHER ECONOMIES
- ▶ NEEDS COHERENCE BETWEEN ENERGY AND ENVIRONMENTAL POLICIES
- ▶ NEEDS UNDERSTANDING OF NEGATIVE EFFECTS OF ECONOMIC CRISIS IN INVESTMENTS
- ▶  HUGE DISCREPANCIES AMONGST REGIONS AND STATES

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TOWARDS THE END OF MANDATE OF THE CURRENT COUNCIL (2014) :

CONFLICTS OVER THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK
2014-2020 AFFECTS NEGATIVELY :

- THE BUDGET OF HORIZON 2020 (R&D)
- PROPOSED CONNECTING EUROPE FACILITY (€9,1 Bn INFRASTRUCTURE)

 NEW COUNCIL, NEW POLITICAL ENVIRONMENT, NEW CHALLENGES?

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EU EMISSIONS TRADING CRUMBLING :

-  UNABLE TO DELIVER LOW-CARBON INVESTMENT
-  PROPOSAL TO BACKLOAD ALLOWANCES FROM 2013-15 TO 2017-20



HAVE ETS REALLY WORKED AS DESIGNED ?

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ENERGY EFFICIENCY :

- NEW DIRECTIVE, TARGET 20% SAVINGS IN 2020
- HIGH ON THE AGENDA
- STRONGLY DEPEND ON GOVERNMENTS



CAN GOVERNMENTS DELIVER ?

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MARKET DESIGN :

- STILL VERY CONFUSING
- WIDELY DIFFERENT APPROACHES IN M-S
- NEED FOR COMPATIBILITY
- NRAs, TSOs, ACER, CEER, ENTSOG, ENTSO-E, COMMISSION



CAN NRAs DELIVER ?

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MARKET DESIGN NEEDS COMMON CRITERIA

QUESTIONS TO ADDRESS :

- INCREASE OF RES CUT PEAKS
 - ✓ CCGTs DO NOT RUN WHEN THEY MEANT TO
- COMPETITION OF COAL AND GAS-FIRED DEPEND ON FUEL AND ETS PRICES
- OLD THERMAL CAPACITY (20-30 GW) LOSS-MAKING, NEEDS TO BE PHASED OUT FOR ECONOMIC REASONS
- BUT... HOW MUCH OF THIS IS NEEDED FOR BALANCING, AND HOW THEY CAN STILL ECONOMICALLY KEEP RUNNING?
 - ✓ HOW THIS DISTORTS THE OPERATION OF THE MARKET?

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....AND THE CONSUMERS ?

- BOTH CONSUMERS AND POLICY MAKERS NEED TO BE EDUCATED
- ELECTRICITY PRICES ARE INCREASING AND PROSPECTS ARE THAT THEY WILL KEEP UPWARDS
- CONSUMERS NEED SUPPORT PARTICULARLY IN ECONOMIC CRISIS

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INDUSTRY DEPENDS ON PRICES

- MANY INDUSTRIES FACE SURVIVAL
- EUROPEAN INDUSTRY “OFFSHORING” DUE TO ELECTRICITY AND GAS PRICES
- NEW TARGETS OF 20% OF EUROPEAN GDP IN 2020 FROM INDUSTRY
- SUPPORT SCHEMES
 - ▶ INDIRECT COSTS
 - ▶ DIRECT INDUSTRIAL SUPPORT BY VARIOUS M-S
 - ▶ INNOVATIVE PRICING METHODS, INTERRUPTIBLES, POOL BYERS ETC

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THANK YOU

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