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# REGULATION AND COMPETITION : STRIKING THE RIGHT BALANCE


## - PAUL BULTEEL -
## Secretary General


**ECT Workshop on Best Practices in the Energy Sector**
**Brussels - 12 May 2004**

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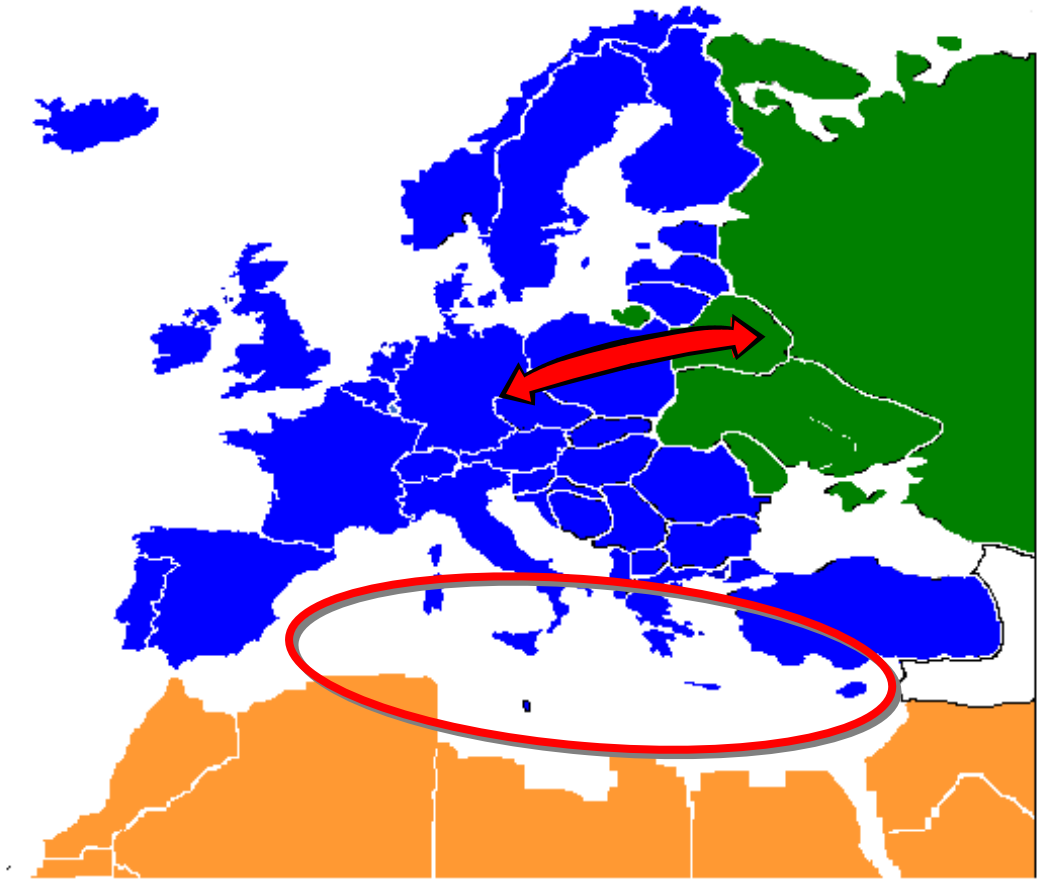
# Representing the European Electricity Industry at Expert, Strategic and Policy-making Level

# EUROPEAN UNION +

# EUROPEAN & MEDITERRANEAN AFFILIATES



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# CHALLENGES AND EXPECTATIONS

1. CHALLENGES
2. A SOUND BASIS …
3. … BUT TOO MANY INCONSISTENCIES
4. WHAT TO DO?

   BRINGING COMPETITIVENES BACK TO THE AGENDA

# 1. CHALLENGES

**develop competitive markets**

**+ ensure public service**

**+ ensure security of supply**

**+ ensure investments in generation and networks**

**+ reduce CO2 emissions**

**+ reduce other environmental impacts**

**+ upgrade CEES systems (+ Russia, …)**

**+ invest in developing countries**

# 2. A SOUND BASIS…

- New liberalisation package
- Market approach to Kyoto through emissions trading
- EU enlargement
- Approach of external trade

  (3 pillars : networks + market + environment)

- Strategy Paper: Medium term vision for the Internal Electricity Market

# 3. BUT TOO MANY INCONSISTENCIES…

**A patchwork of non-market oriented and over-costly policies**

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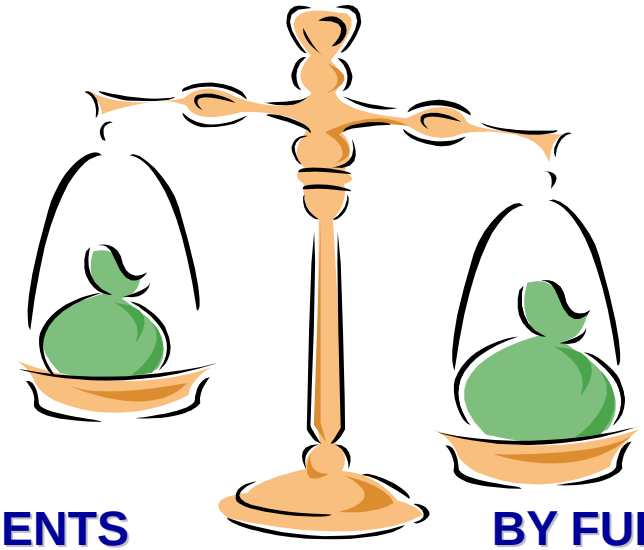
# *EXAMPLE 1*
## *THE ROLE OF ELECTRICITY*

## ENERGY EFFICIENCY



**LESS ELECTRICITY WHERE POSSIBLE**

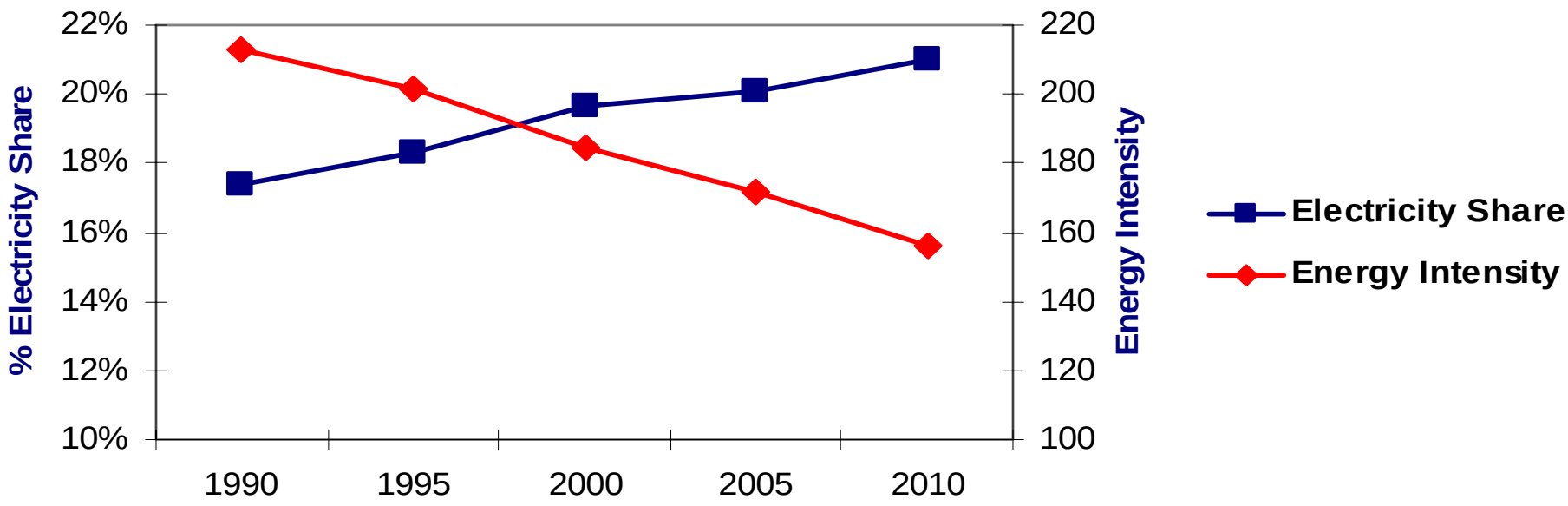
**TECHNOLOGY IMPROVEMENTS**
**e.g. lighting, insulation, control**

**USAGE IMPROVEMENTS**
**e.g. insulation, avoiding spills**

**MORE ELECTRICITY WHERE NECESSARY**

**BY FUEL SUBSTITUTION THROUGH ENERGY-EFFICIENT PROCESSES**
**e.g. public transport**
**heat pumps**
**electroheat**
**…**
**+ quality improvements**
- **economic**
- **environmental**

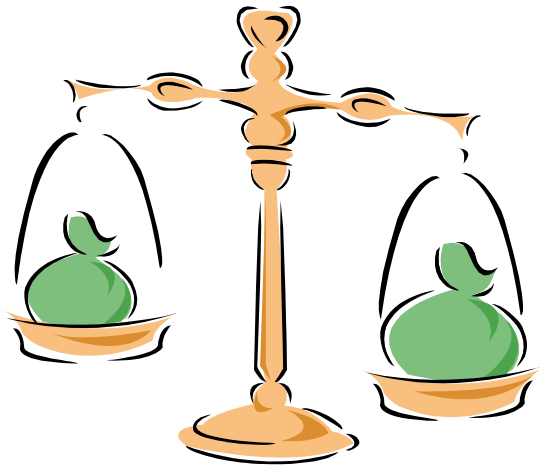
## [EU-25] % Electricity Share in Final Energy Demand vs Energy Intensity [source: EC "Trends to 2030"]



# Actual EC views:

**e.g. draft directive on security of electricity supply,**
**ECCP**

## ENERGY EFFICIENCY



**LESS ELECTRICITY WHERE POSSIBLE**

~~**MORE ELECTRICITY WHERE NECESSARY**~~

→ **IGNORING THE BENEFITS OF ELECTROTECHNOLOGIES**

# EXAMPLE 2

**RES : support needed**

**National green certificate trading: BE, IT, NL, UK, SE, PL**

**National feed-in tariffs: AT, DE, DK, ES, FR, GR, LU, PT, NL**

## RESULTS :

- Market distortion
- No European synergy
- No market signals to RES
- Costs up to 60… 140 EURO/t CO2 (DE)

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# Some more figures:

## EU15: yearly costs 2010 if RES targets are reached

| | billion € | % wholesale prices | €/t CO2 avoided |
|---|---|---|---|
| • current support levels | 11.5 | 13 | 88 |
| • German levels | 20 | 25 | 109 |
| • German levels + networks and regulation costs : 2.4 €c/kWh | 27.5 | 34 | 150 |

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## *EXAMPLE 3*

# CLIMATE CHANGE AND KYOTO

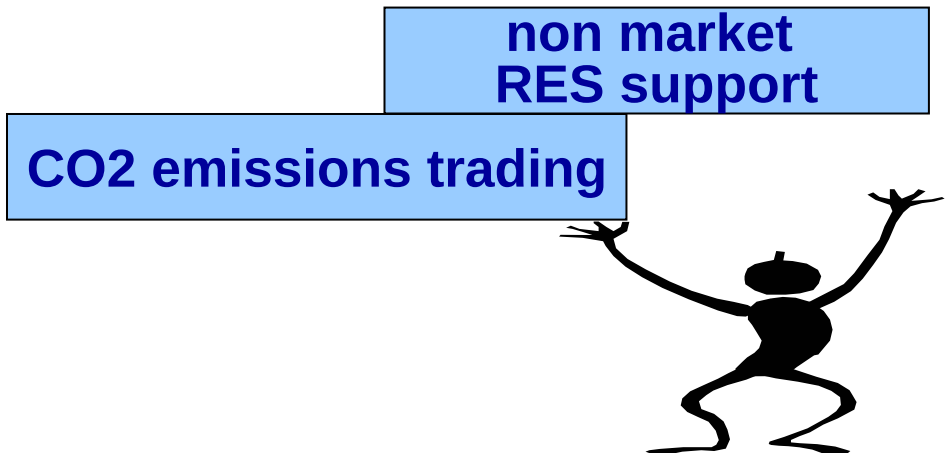
➡ can Europe afford to go alone?

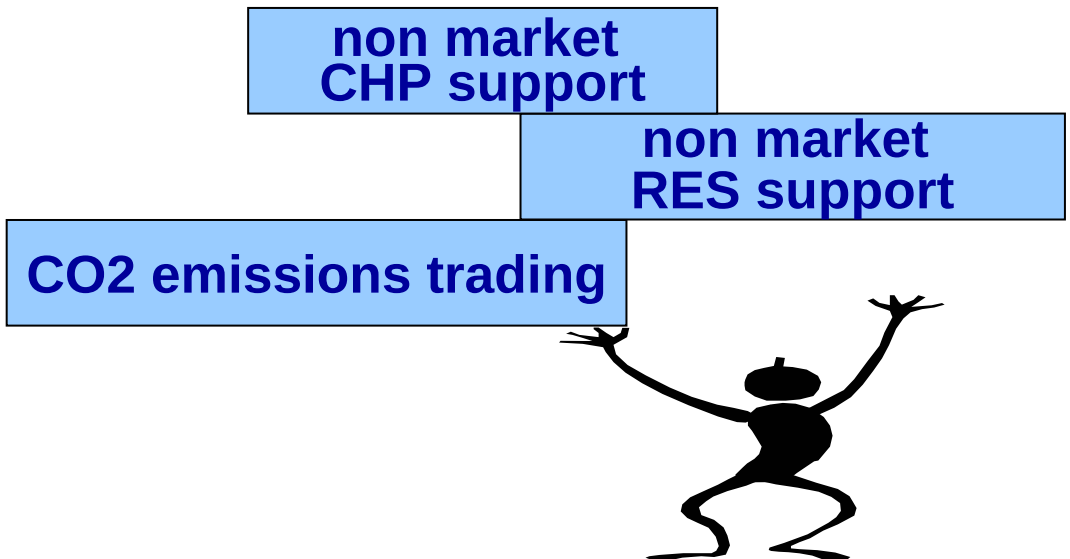
- **costs?**
- **delocation of emissions?**
- **realism of timetable?**
- **no post-Kyoto without sustained nuclear?**

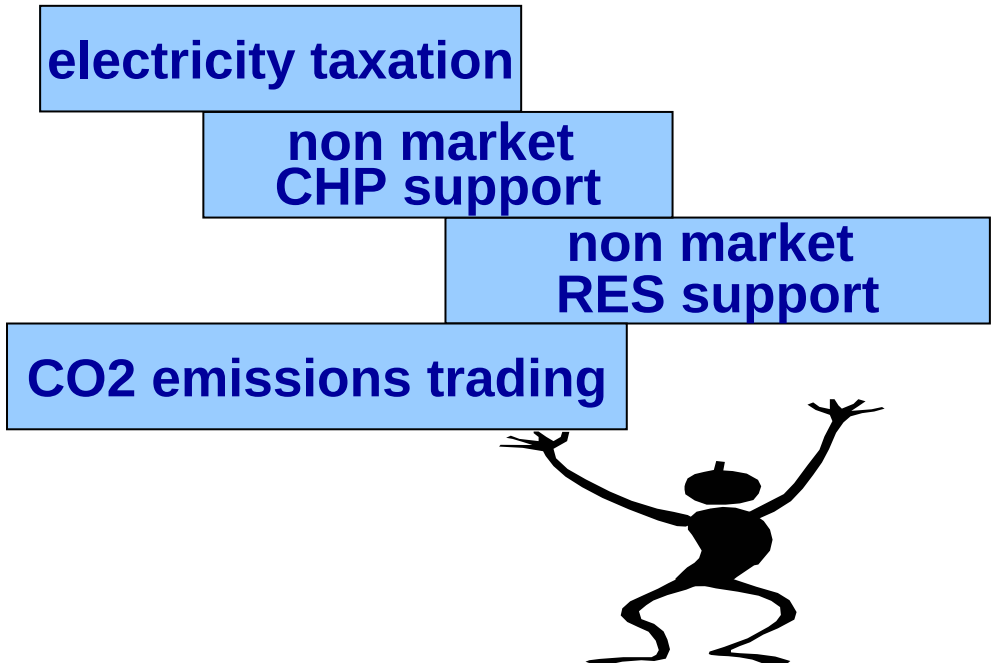
➡ more attention to long term approach?

- **new technologies: R&D + demo**
- **energy efficiency targets**
- **joint Japan - EU - US approach**
- **engagement of more advanced developing nations (India, China, Brazil).**

# CO2 emissions trading


non market
RES support
CO2 emissions trading


non market
CHP support
non market
RES support
CO2 emissions trading


electricity taxation
non market
CHP support
non market
RES support
CO2 emissions trading

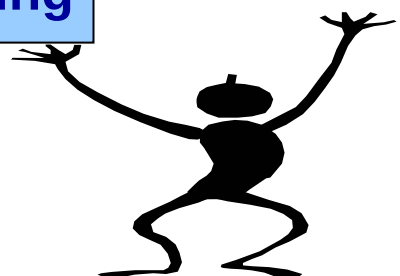
other levies

electricity taxation

non market
CHP support

non market
RES support

CO2 emissions trading



non market energy efficiency support

other levies

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

non market security of supply obligations

non market energy efficiency support

other levies

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

non market interconnection targets

non market security of supply obligations

non market energy efficiency support

other levies

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

undergrounding of transmission?

non market interconnection targets

non market security of supply obligations

non market energy efficiency support

other levies

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

undergrounding of transmission?

non market interconnection targets

non market security of supply obligations

energy support

**COMPETITION: YES**

other levies

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

undergrounding of transmission?

non market interconnection targets

non market security of supply obligations

non market energy efficiency support

**WHAT ABOUT COMPETITIVENESS?**

electricity taxation

non market CHP support

non market RES support

CO2 emissions trading

undergrounding of transmission?

non market interconnection targets

non market security of supply obligations

non market energy efficiency support

other levies

electricity taxation

non market CHP support

non market RES support

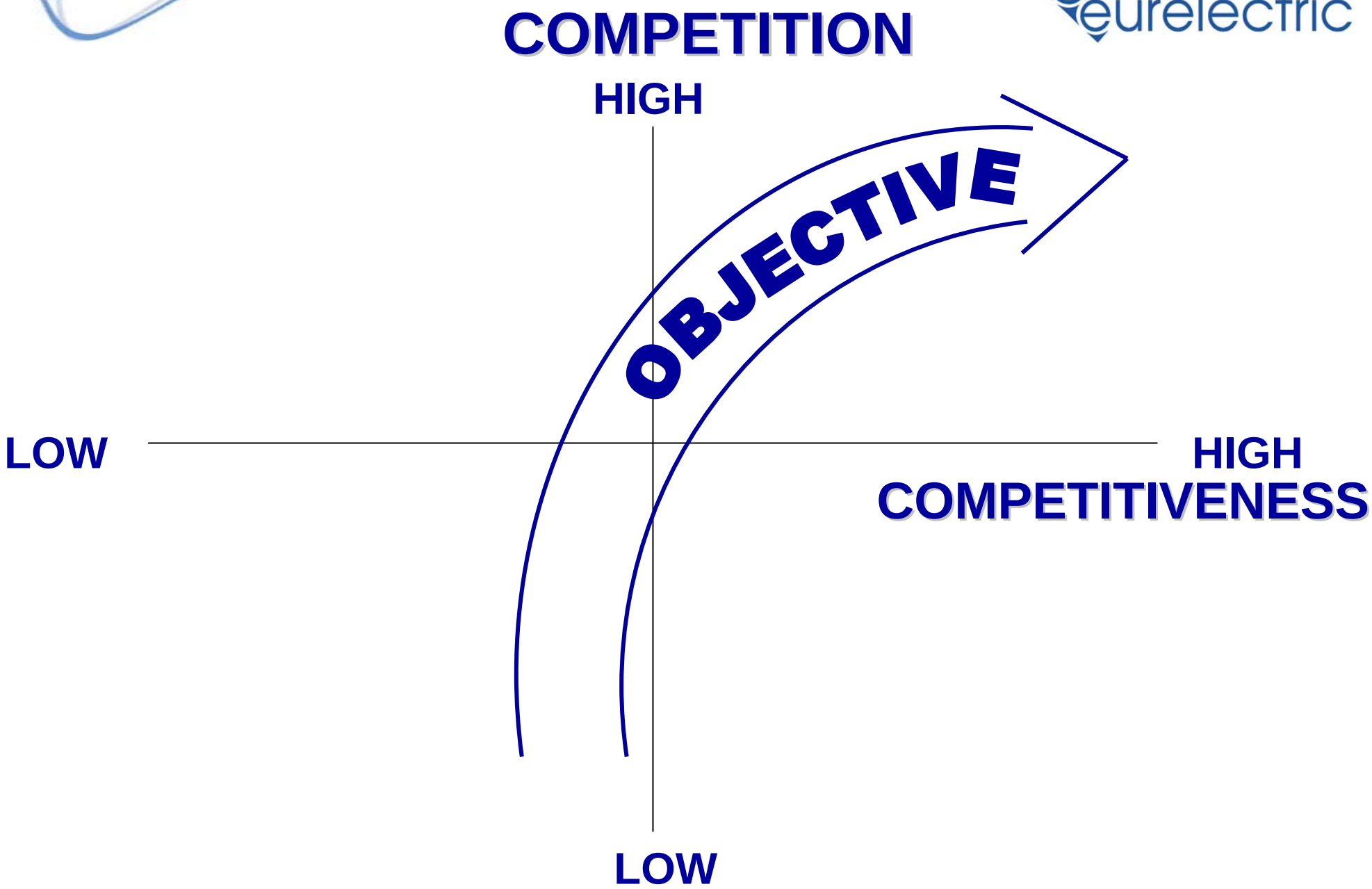
CO2 emissions trading

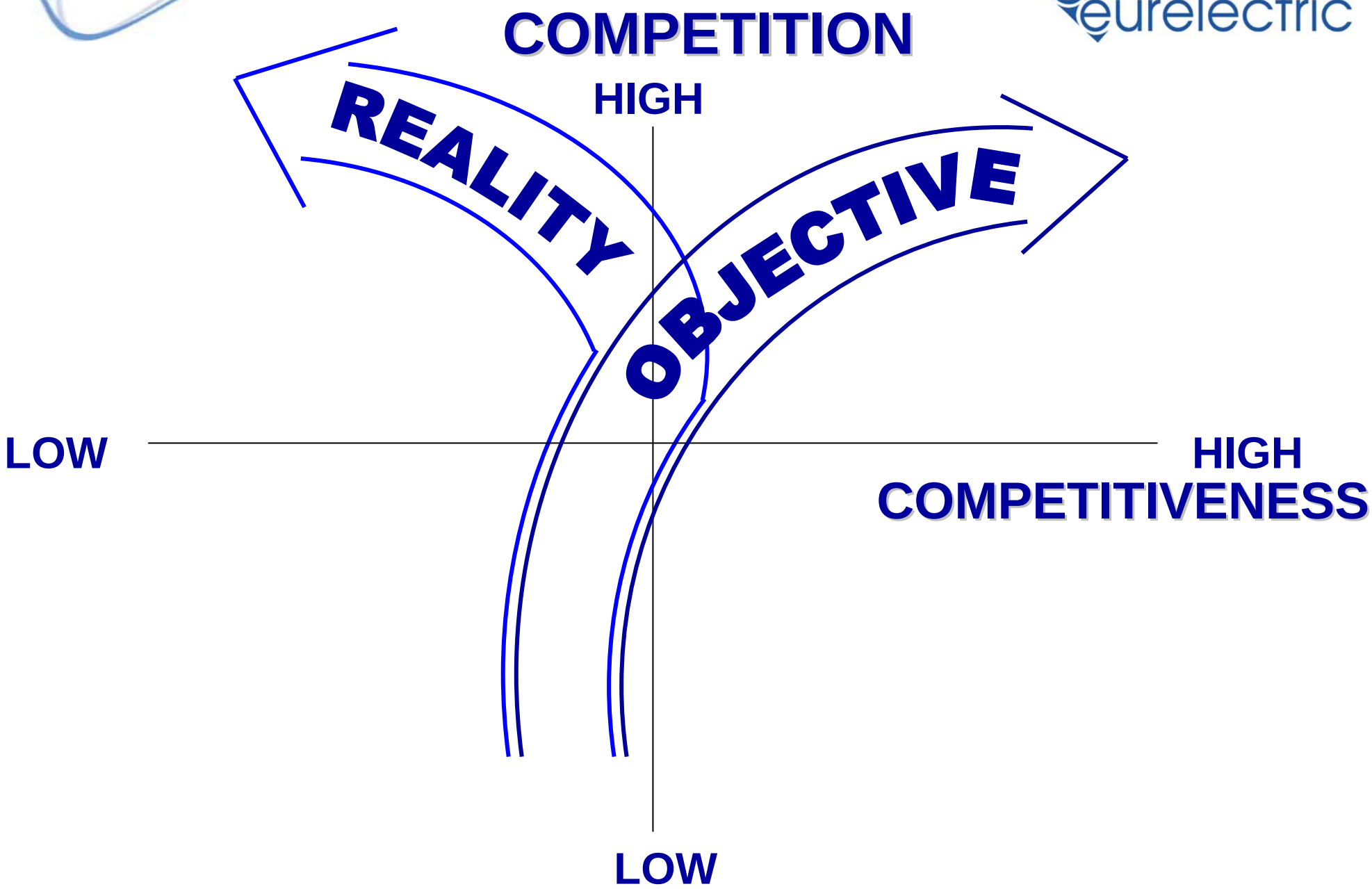
**COMPETITION: YES**

**WHAT ABOUT COMPETITIVENESS?**

# 4. WHAT TO DO?

## BRINGING COMPETITIVENESS BACK TO THE AGENDA


COMPETITION
HIGH
OBJECTIVE
LOW
HIGH
COMPETITIVENESS
LOW


COMPETITION
HIGH
REALITY
OBJECTIVE
LOW
HIGH
COMPETITIVENESS
LOW

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# A ROADMAP TO IMPROVED ENERGY POLICIES AND REGULATION

- Clarify role of electricity in sustainable development
- Review regulatory framework in view of :
  - Consistency
  - Least cost approach
  - Market Integration
- Systematic economic impact assessment
- Wide & long-term oriented reflection on “Beyond Kyoto”

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