

ROUNDTABLE OF
EUROPEAN ENERGY
INDUSTRIALISTS

12 JUNE 2014 | BERLIN

// **JOINT
MESSAGES**

A PATH TO MORE EUROPEAN ENERGY SECURITY

The recent crisis in Ukraine has reinforced the need for an EU energy and climate framework which reconciles Europe's sustainability and competitiveness objectives without neglecting energy security. However, there is no „silver bullet“ to resolve this issue. Welcoming the European Commission's (EC)

Communication on energy security, the Energy Roundtable Companies believe that in order to increase energy security the following three elements should be at the forefront of the EU's new policy framework: better markets, stronger grids and smarter technologies.

MAKE THE INTERNAL ENERGY MARKET WORK!

A well-functioning Internal Energy Market will increase the number of market players, improve the flexibility of energy systems and thus increase security of supply.

AN IMPROVED ELECTRICITY MARKET DESIGN

The implementation of the Third Energy Package and the network codes is an essential step toward the establishment of the Internal Energy Market. However, additional features in the electricity market design are needed to ensure that system balance and system security is guaranteed at the lowest cost, in

all time frames. In particular, technology-neutral, market-based price signals are necessary to incentivise flexibility and enable all market players across Europe to optimise their generation and consumption decisions. This would enable maximum integration of renewable energy sources (RES).

FAIR COMPETITION BETWEEN TECHNOLOGIES AND ACTORS

The goal is a smooth and secure integration of a growing share of renewables. While RES technologies should be increasingly exposed to the market, this move should be balanced by a phase-out of direct and in-direct subsidies for conventi-

onal energy sources. Also providers of demand technologies should be able to compete on a level playing field with generators when offering services contributing to the system balance.

A REINFORCED EU ETS AS MAIN TOOL FOR DECARBONISATION

A reinforced EU Emissions Trading System (ETS) backed by a 40% CO₂ emissions reduction target should be the backbone of a cost-efficient transition to a low-carbon European economy. The proposal for the ETS market stability reserve is an essential tool for regaining confidence in

the carbon market. It should be implemented well ahead of 2021 and the pace for withdrawing excess allowances should be quicker than proposed, while the pace for returning them to the market should be slower.

EC GOVERNANCE FRAMEWORK SHOULD STIMULATE REGIONALISATION

The EU's 2030 energy & climate policy framework should facilitate regional cooperation, particularly with regard to the demand / supply balance and the deployment of RES capacities. While leaving enough flexibility to the Member States to decide on their respective policies,

a more regional instead of national approach in these areas would lead to more efficient markets, better use of national resources and therefore reduced costs. However, a more regional approach is only a step towards the full accomplishment of the IEM, we are aiming for.

WE NEED STRONGER GRIDS NO MATTER WHICH POLICY FRAMEWORK

A smart and interconnected grid is a prerequisite for a well-functioning Internal Energy Market, a high standard of security of supply and the efficient decarbonisation of the electricity system. The EC has been supporting the improvement of energy infrastructure through many recent policy initiatives. Nevertheless, we believe that the following additional actions are needed to ensure that the required electricity infrastructure is built in time to make a cost-efficient energy transition and increase European energy security.

AN INTERCONNECTION TARGET BASED ON A SOUND METHODOLOGY TO STRENGTHEN POLITICAL ACCEPTANCE

Interconnectors in particular will play a crucial role in achieving the EU's long term energy objectives in the most cost-efficient way. By connecting different power markets in terms of generation mix and power price structures, interconnectors provide significant opportunities for security of supply, low carbon power production, in particular RES capacities, and stabilising power prices. We welcome the EC proposal for a non-binding interconnection target to enhance security of supply, as it will increase the political acceptance that is needed to build these lines in time. However, a one-size-fits-all approach might not be adequate, as regional needs and regional system characteristics require different approaches. ENTSO-E's Ten-Year Network Development Plan (TYNDP) methodology allows for an efficient identification of the needs of the system and should therefore be used to derive individual interconnection targets. Moreover, any interconnection target should be linked to system security requirements and a governance framework for realising the target.

EFFICIENT AND COHERENT LONG TERM REGULATORY FRAMEWORK FOR GRIDS

It is important that infrastructure policy is not considered separately from the wider energy and climate framework. The proposal for a 2030 policy framework - as any other political decision on markets and generation - should take into account the impact on the development and operation of the electricity grid. Regulatory frameworks should en-

able TSOs to deal with the operational conditions that grid operators have to manage now and in the future. Similarly, incentives available to infrastructure developers should be commensurate with, and reflective of, the risks they face. This would generate more market predictability and investment certainty for infrastructure investments.

PUBLIC ACCEPTANCE FOR GRID DEVELOPMENT

It is crucial that infrastructure investment procedures are drastically shortened and simplified, not only for Projects of Common Interest (PCIs) but for all TYNDP projects. As delays in projects are very costly for society, more measures have to be undertaken to increase public

acceptance for infrastructure projects. We believe that the EU can help by providing consumers with impartial information highlighting the potential of low carbon energy and the need for grids, and by stimulating a public debate in general.

A MARKET FRAMEWORK THAT DELIVERS SMARTER TECHNOLOGIES

Affordable, cost-effective and resource-efficient technology solutions are needed to diversify energy sources, reduce energy demand, optimise energy infrastructure and hence increase security of supply. Focused, easily accessible and tailored EU R&D funds (e.g. Horizon 2020) will contribute to the inclusion of key grid technologies and the implementation of PCIs. However, the EC can also provide for a better regulatory framework.

SUPPORTIVE FRAMEWORK FOR STORAGE AND DEMAND-SIDE MANAGEMENT (DSM) TECHNOLOGIES

Besides grid development, boosting the development and uptake of energy storage technologies and demand response solutions will generate flexibility to maintain real-time system balance, while enabling the ambitious deploy-

ment of renewable energy sources. In order to adequately consider innovation investments, the industry needs a coherent and stable regulatory framework that treats demand and supply, as well as storage, as equal sources of flexibility.

ACCELERATE THE UPTAKE OF SMART GRID TECHNOLOGIES

Increasing amounts of renewable energy sources and energy generation connected to the distribution grid, and the expected market penetration of electric vehicles need a more flexible power system. EU initiatives should aim to exploit the opportunities given through the deployment of smart grids and big data to enhance operational and customer value. The EC should lead the process for development of standards, taking into account

the relation between DSOS and TSO, and, by doing so, speed up the deployment of smart grids. As particularly power consumers will play a major role in the energy system transformation, we also believe that the EC should launch initiatives to support consumers being well-informed, engaged and equipped for active participation in the energy transition.

UNLOCK THE FULL POTENTIAL OF ENERGY EFFICIENCY

More needs to be done to unlock the full potential of energy efficiency in buildings, transport and industry. We encourage the EC to develop a strong action plan for the uptake of energy-efficiency technologies.

The EC should not hold back from leading the process on standardisation in sectors with high potential for energy efficiency gains, as it has done through the Ecodesign Directive and Labelling Directive

WHAT IS THE ROUNDTABLE OF EUROPEAN ENERGY INDUSTRIALISTS?

THE ROUNDTABLE IS MEETING ANNUALLY TO CONTRIBUTE TO THE DEVELOPMENT OF AN INTERCONNECTED GRID WITH EMPOWERED MARKETS AND CONSUMERS. THE ROUNDTABLE OF EUROPEAN ENERGY INDUSTRIALISTS CONSISTS OF CEOS FROM LEADING EUROPEAN ENERGY COMPANIES AND TSOS (50 HERTZ, NATIONAL GRID, RTE, STATKRAFT, STATNETT, SWISSGRID, TENNET, VERBUND). THE ROUNDTABLE HAS MET SINCE 2011 AND IS HOSTED BY STATNETT.