

Internal energy market

First reactions to Oettinger's communication

By Marie-Martine Buckens | Friday 16 November 2012

The European Commission's analysis of barriers to total liberalisation of the EU's energy market (programmed for the end of 2014) is generally applauded, but views diverge considerably on the steps needed to remove them. Stakeholders were quick to react to the communication on this subject, presented by Günther Oettinger on 15 November (see *Europolitics*⁴⁵²⁹), voicing concerns about the remedies proposed by the energy commissioner. These include the abolition of regulated prices and recognition of capacity remuneration mechanisms, already planned in certain member states to guarantee a continuous supply of electricity in a market on which renewables, intermittent by nature, are gaining a growing share.

TACKLE MARKET DISTORTIONS TO START

Eurogas, representing the European gas industry, applauds the Commission's decision to launch a public consultation on capacity remuneration mechanisms (CRM). In an ideal pan-European low-carbon market, there should be virtually no need to pay for stand-by power generation capacity. However, many gas-fired power stations are no longer financially viable, particularly as a result of increased electricity generation from renewable sources and price caps. But since such plants are increasingly needed to back up electricity from intermittent renewable sources, certain governments are considering CRM to prevent plants from closing. For Eurogas, these mechanisms would be acceptable only if market distortions that prevent the smooth functioning of energy markets are tackled first and if their potential interference in implementing the internal energy market is carefully assessed.

That view is shared in large measure by the new gas and renewable energy coalition of five European energy firms (⁴⁵²⁰), the explicit aim of which is to encourage complementarity between gas and renewable sources.

SUBSIDIES FOR RENEWABLES

Eurelectric, the European electricity industry lobby, takes a similar stance and stresses the need to harmonise member states' energy support schemes and then to phase them out.

The European Wind Energy Association (EWEA) welcomes the Commission's decision to abolish regulated prices over the longer term, but finds that the executive puts too much emphasis on renewable energy support mechanisms and not enough on subsidies for nuclear and fossil fuel, market concentrations and the market's lack of transparency, the "most critical distortions". The EWEA regrets that the Commission did not present proposals to develop the internal energy market after 2014, in particular market for grid support services.

BusinessEurope, representing European employers, points out the need to place development of the internal energy market in a wider context to ensure that it helps take up the triple challenge of competitiveness, secure supply and climate objectives in a profitable manner.

PRIORITY ON CONSUMERS

Energy markets do not work correctly, observes the European Consumers' Organisation BEUC, as seen in the now annual nightmare of dramatic price increases. "Liberalisation has not always led to more competition and even when there is competition, consumers are not always better off," said BEUC Director-General Monique Goyens. She added that "sensible laws left on paper and good intentions will not help consumers. Governments need to strictly monitor energy companies and intervene swiftly whenever households are left in the dark".

"Liberalisation has not always led to more competition and even when there is competition, consumers are not always better off"

Copyright © 2012 Europolitics. Tous droits réservés.