



European Commission

Günther OETTINGER

EU Commissioner for Energy

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

CEER's Conference: Competitive, sustainable and secure energy –
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- Lord Mogg, Ladies and Gentlemen.
- Let me start by thanking you for the invitation to this interesting conference. And let me congratulate you, Lord Mogg: year by year you find a wonderful venue – forcing us Commissioners to leave the Berlaymont for a while.
- Regulators are often portrayed as policemen, rule enforcers, paper-driven officials. I am delighted that this conference puts the spotlight on regulators as facilitators, ensuring consumers get a good deal, helping to drive investment, supporting international collaboration and partnership.
- When I call CEER the "veteran" of regulators, this has a very positive notion! Established in the year 2000, you gather unique experience and offer invaluable input to the political work of the European Commission. I very much appreciate your cooperation.
- Let me therefore congratulate you on all the work you have done to raise the consumer dimension of the internal energy market. Just as regulators are misunderstood, so are the fundamental aims of the internal energy market. Without consumers, there is no market. Without active consumers, the market is weak. Without satisfied consumers, the market is lost. We need active and satisfied consumers.
- But I will let my colleague Tonio Borg set out what we are doing to help consumers. I would like to focus on what we are doing to make sure the internal market achieves its goals.

Content of the communication

- Last November, we launched a new Communication on the Internal Energy Market. I am sure that you are all familiar with the main points, but I would not be doing my job as opening speaker if I did not set out the key themes, as they relate to today's conference!
- I should also add that, two weeks after the Commission's Communication, the first ACER/CEER annual monitoring report was published. These two publications complement each other nicely and provide the necessary knowledge to go forward successfully with the internal market for energy.
- If we first take a look at what has been achieved so far, **it is clear that the IEM slowly but surely starts to bear fruit.** The energy sector has been more dynamic during the last 5 years than ever before. Market opening and stronger competition is keeping energy commodity prices in check. While prices of primary energy commodities have increased annually by 14% for crude oil, almost 10% for gas and 8% for coal in recent years, wholesale electricity prices in the EU have

risen much less, namely by 3.4% thanks to increased cross-border trade and market integration.

- At consumer level there is now a choice between several suppliers for gas and electricity. At least 14 European electricity and/or gas companies are now active in more than one Member State and there are more than three main electricity suppliers in 20 Member States.
- **However, there are major challenges that risk undermining the completion of the IEM, and in a worst case scenario could even turn the clock backwards.** These are what I want to address urgently:

Implementation of the 3rd Energy package

- It is **not sufficient to pay lip-service to the IEM**. Market opening and integration will not happen by itself - **it needs action!** It is imperative that the rules, which are already in place (third package, REMIT and soon the Infrastructure Regulation) are correctly implemented by Member States. And then of course it falls to the Regulators to make sure that they are properly enforced.
- I have said it before and I will say it again. The importance of independent regulators to the proper enforcement of competition cannot be overstated!
- This is why the third package introduced a new, stronger role for national regulators. These provisions need, not only, to be transposed in national law, but also to be implemented in practice, before we can hope to have a fully integrated, competitive and well-functioning internal market for energy.
- Whether we are talking about protecting consumers, or promoting investments, or levelling the playing field - national regulators, along with national competition authorities, play a decisive role.
- Regrettably, in some countries, the independence of regulators is a reason for concern. Too often governments continue to interfere in regulatory tasks, limiting the powers of the regulators, interfering with budgets and staffing.
- This is simply unacceptable, and we will focus on this issue further in our analysis of Third Package implementation.

Consumer empowerment

- **As I have said, the ultimate aim of the IEM is to benefit consumers** (household and non-household, large and small).
- **However, artificially keeping consumer prices at a level which does not reflect the true cost of energy, is not a sustainable way of protecting the consumer interest.**

- In other words, regulating consumer prices to keep them low damages consumers! This sounds like a paradox. But price controls lead to budget deficits either for the energy companies or for the State. They undermine investments in new capacities (France) which risk undermining secure and affordable energy supplies going forward. They cause hardship when prices catch up with reality, as is inevitable.
- **Today, only 9 MS have no price regulation.** This list should be much, much longer!
- But price controls are not the only obstacle to consumers. Lack of awareness, or lack of motivation, is another. **Estimates indicate that already today EU consumers could save up to €13 billion per year if they switched to the cheapest electricity tariff available.**
- We will continue to convince Member States to phase-out regulated prices whilst taking into account universal service obligations and effective protection of vulnerable customers.

Infrastructure issues

- Customers have everything to gain from more investment in infrastructure. More secure supplies. More access to clean renewable energy. More affordable energy.
- Which is why we need to give even more emphasis to infrastructure in our policies, and our funding.
- You are all familiar with the Infrastructure package, with Connecting Europe Facility. But what about the pre-investments stage, the conceptual stage?
- To help decision makers make the right decision, our Communication puts a new emphasis on the issue of market design.
- In the future, our energy systems will look very different from today. But this won't happen automatically. And it won't happen unless we rethink market design.
- **If properly designed, markets can promote and accompany that system change much more effectively and at a lower cost than any central planning or purely subsidy-driven overhaul.**
- We need, for example, to encourage and reward flexibility. We need to link markets across Member States borders. We need to empower consumers to take control of their energy bills through greater energy efficiency, smart meters, micro generation, and so on.
- The process of greater cross-border energy trade has already started. I believe the next few years will see this process speed up. We need to support these

changes with common, European network codes and industry-led initiatives. The last thing we need now is for national authorities to put up more obstacles, look inwards, get carried away with premature ideas on, for example, national capacity markets.

New upcoming initiatives

- These next few months will be crucial to reaching our 2014 deadline to complete the internal energy market. I want us all to be on board, building consensus, including of course consumers!
- The Commission is currently **reviewing the guidelines for State Aid for environmental protection as well as preparing guidance on best practices and experience gained in renewable energy**. Our aim is to ensure that the guidelines reflect the changing landscape – technology, political, geopolitical and economic. We also want to reduce distortions in competition.
- The ACER/CEER monitoring report pointed to some very interesting findings that will be useful to the Commission in issuing guidance for RES.
- For example, it shows that there are clear differences between the national RES schemes in terms of the overall cost to consumers. And it demonstrates how RES technology location decisions have implications for wider network infrastructure. This shows the tangible impact of the absence of a co-ordinated approach surrounding support scheme regimes.
- The report also pointed to the relationship between subsidies for RES support schemes and the emergence of capacity mechanisms in Member States. We can also see how RES support schemes are evolving from subsidy-based to market-based (through possible linkages to the EU ETS).
- These findings and the status review you will present this afternoon will help us develop ideas for solutions that are cost-effective and which promote cross-border integration.
- Looking forward, we will continue our work on **developing network codes**. Common rules will enable network operators, generators, suppliers, and consumers to operate more effectively across the market. As a result we will have well-functioning, cross-border wholesale markets. **I count on the support of all stakeholders**, to ensure that the network codes are put in place promptly.
- On the issue of **capacity mechanisms**, I have launched a public consultation on security of supply in electricity, generation adequacy and the internal energy market. I believe that Member States should carry out a full analysis of whether there is a lack of investment in generation, and why. They should seek cross-

border solutions to any problems they find before planning to intervene. They need to take into account the impact of any intervention on other Member States and on the European energy market. The last thing we want now is fragmentation of the energy market we are trying to build!!

- Believe me, the internal market is going to be an ever hotter topic as we approach the 2014 deadline.
- Improving the internal energy market, improving services, increasing investments, empowering consumers. These are all tasks where the regulators can help us. I am sorry I cannot stay longer today, as this promises to be a fascinating conference. So I will conclude by wishing you well, both today, and in your further work.
- I look forward to continuing this debate over the coming months to make sure everyone gets the best out of the new energy market.
- Thank you for listening.