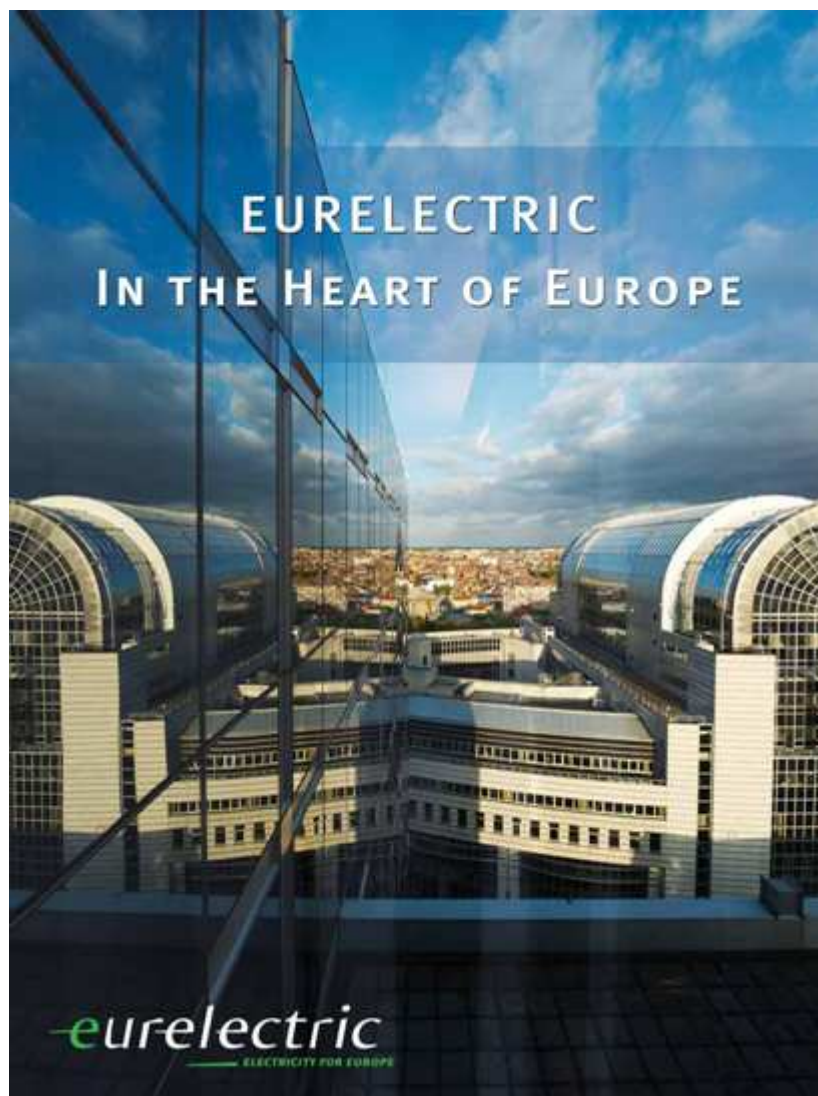


How to develop a long-term European framework together with all stakeholders

Susanne NIES

**Head of Unit, Energy Policy & Power Generation
EURELECTRIC**

Energy Transition by 2050 Conference May 10th 2012



The voice of the European Electricity Industry

- A truly integrated EU market
- Carbon-neutrality by 2050
- Electricity is the solution
- Yes to the three EU ‘no regrets’: RES, energy efficiency, infrastructure
- *but not necessarily sharing the suggested methodology...*

EURELECTRIC is strongly committed to the 2050 decarbonisation agenda

- This has been highlighted in our **CEO Declaration**, signed in 2009 by 61 CEO of the power industry
- A clear **EU decarbonisation target for 2030** is needed
- **ETS' contribution should be complemented** by a stronger focus on innovation and on research, development and demonstration
- Overall, Europe needs consistency and a **cost-efficient, market driven approach**

Current Challenges

- Energy transition unprecedented effort
 - Need for long term signals
 - Ageing park
 - Lack of coordination EU policies: eg. German nuclear phase out, RES build in, setting up of electricity security group as a consequence...
 - No system approach, lack of investments both in generation as in grids
 - No risk for generation adequacy yet, but might occur if current situation not improved...
 - Need for European infrastructure, storage, and smart grids
- = Consistent Policies on EU level are key!

Who are the stakeholders?

- Government
- Regulators
- TSOs
- Industry
- The consumer

Policies: How to develop a common vision?

- **GOVERNMENTS**

- Government to set consistent framework: ETS key driver
- Continue liberalisation: three packages, should be continued
- Integrate the European market
- subsidiarity (various government levels)

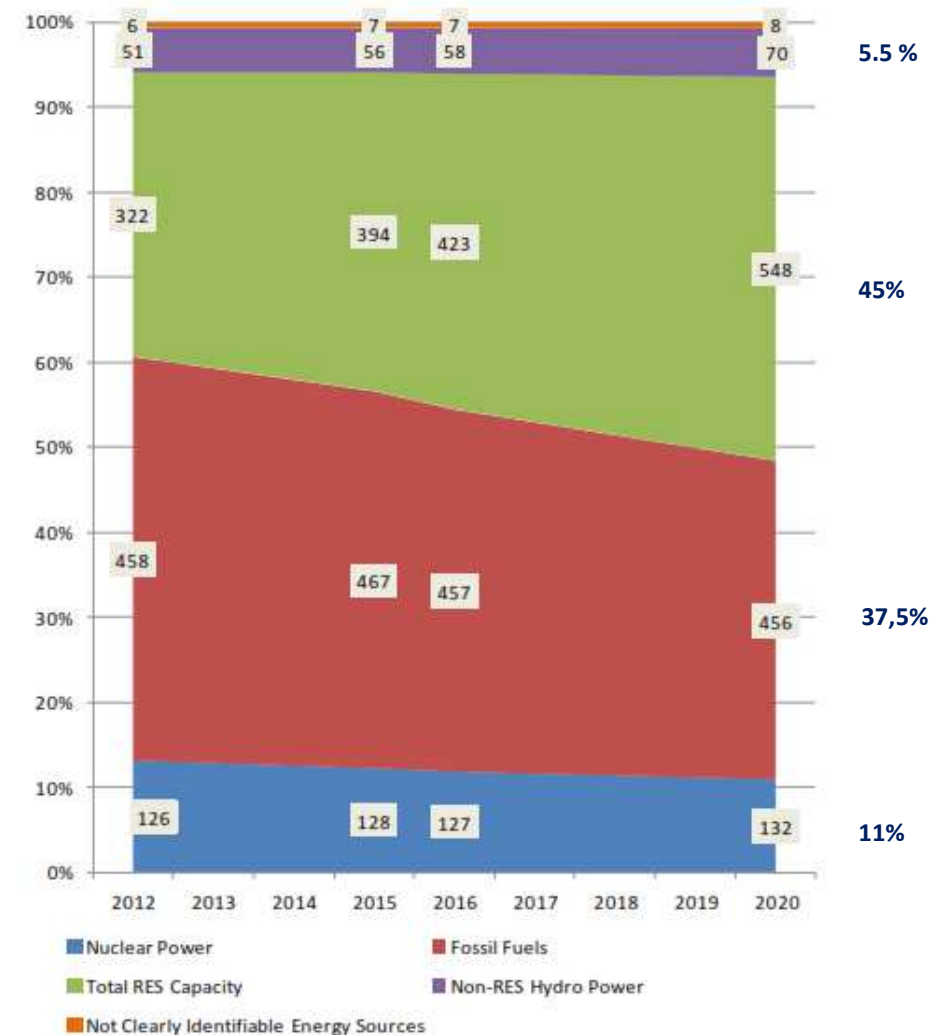
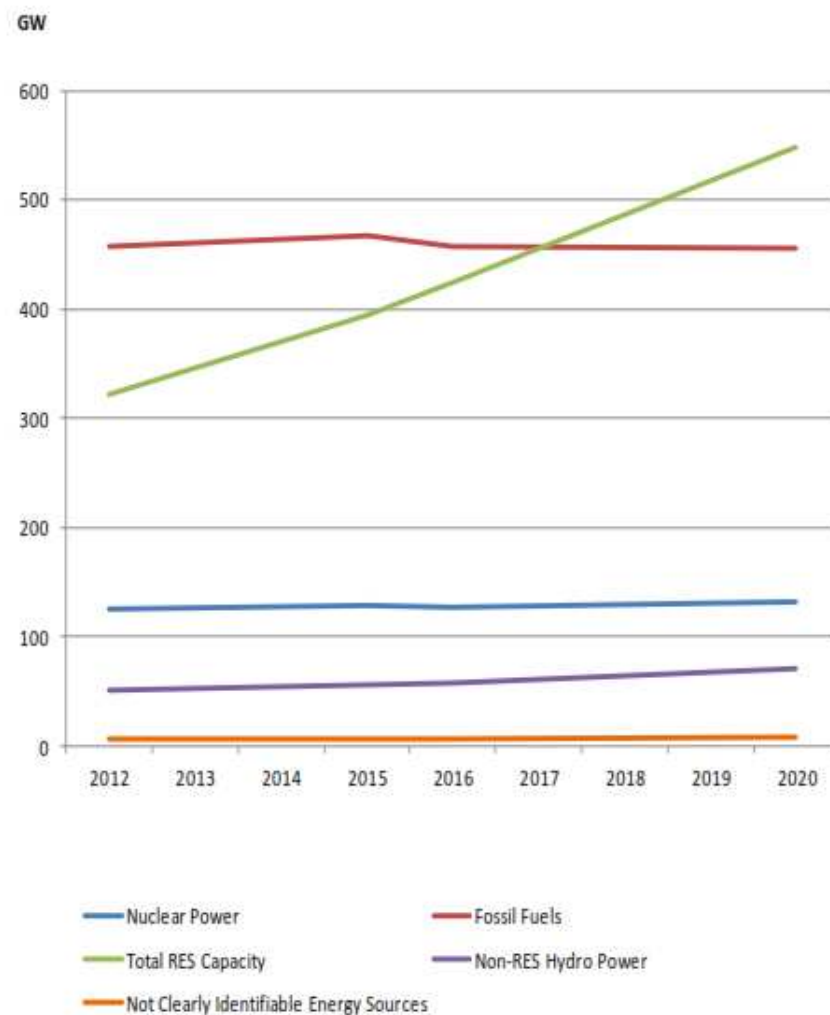
- **INDUSTRY**

Industry to invest and to pick up the most cost-efficient solution towards 2050

- **BOTH**

- Involve citizens and consumers
- Risk sharing facilities (new technologies, deployment), ppp on RDD
- to innovate on services and products: governments to innovate (represent 40% of GDP!)

Evolution of generation mix in the EU 2020 Scenario

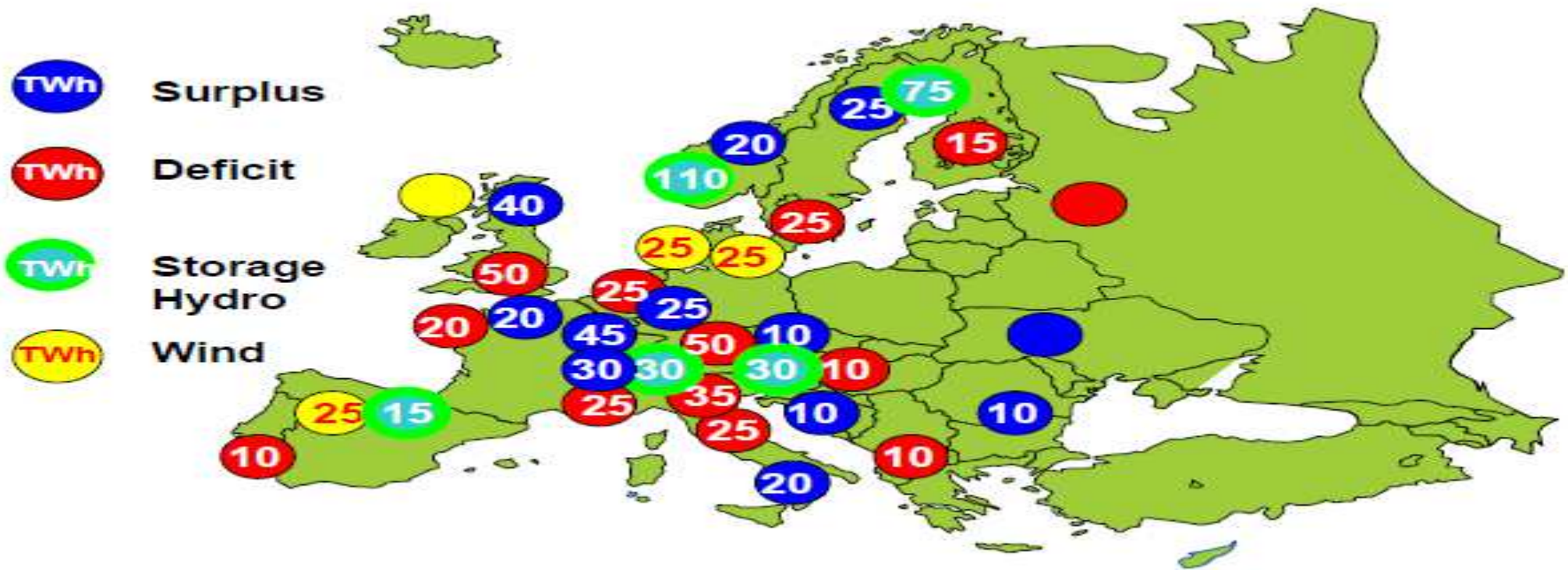


European integrated markets will deliver more

Plethora of national support systems, lack of market integration and deficient interconnections...

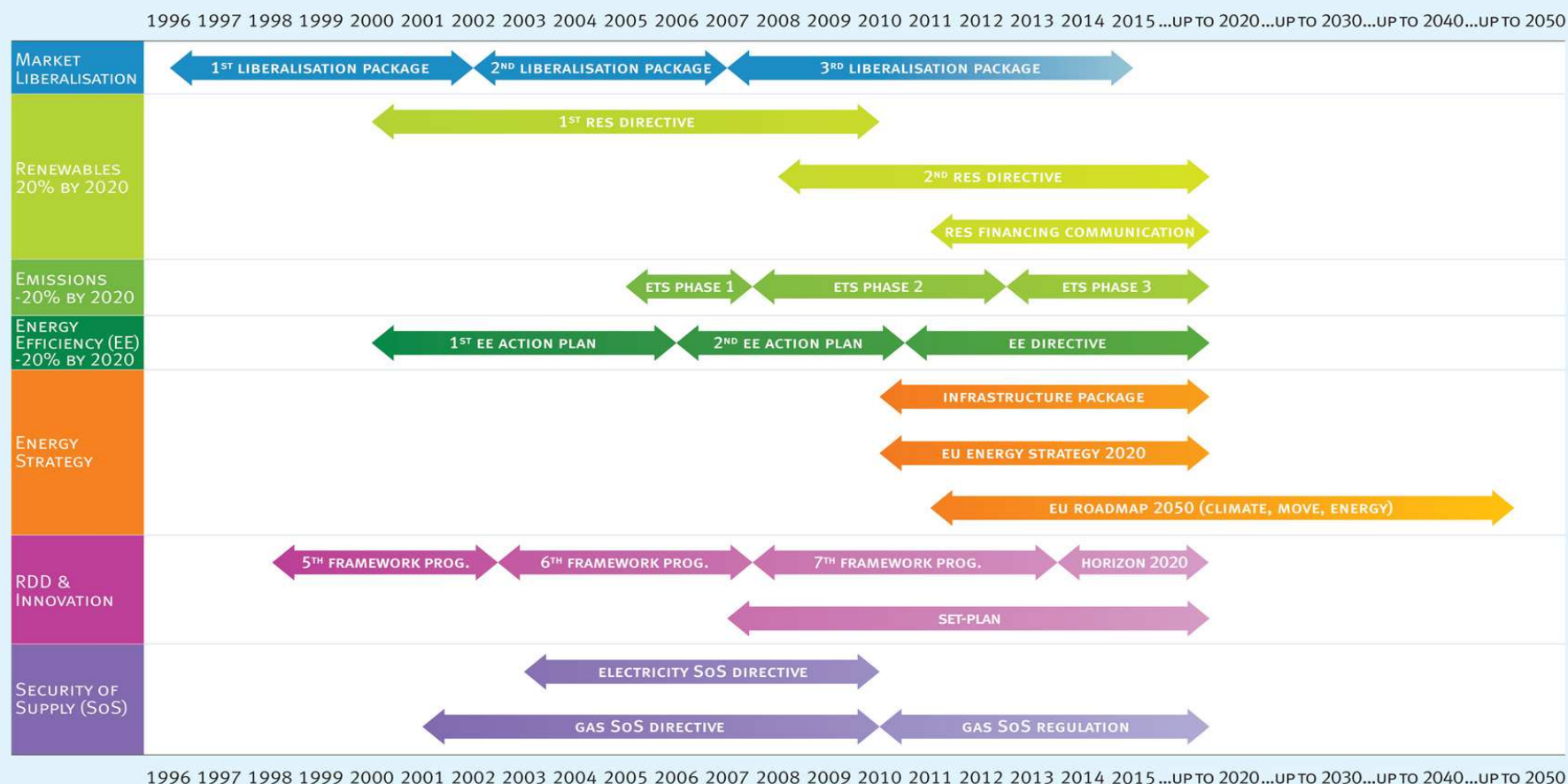


We need to connect surpluses to deficits!

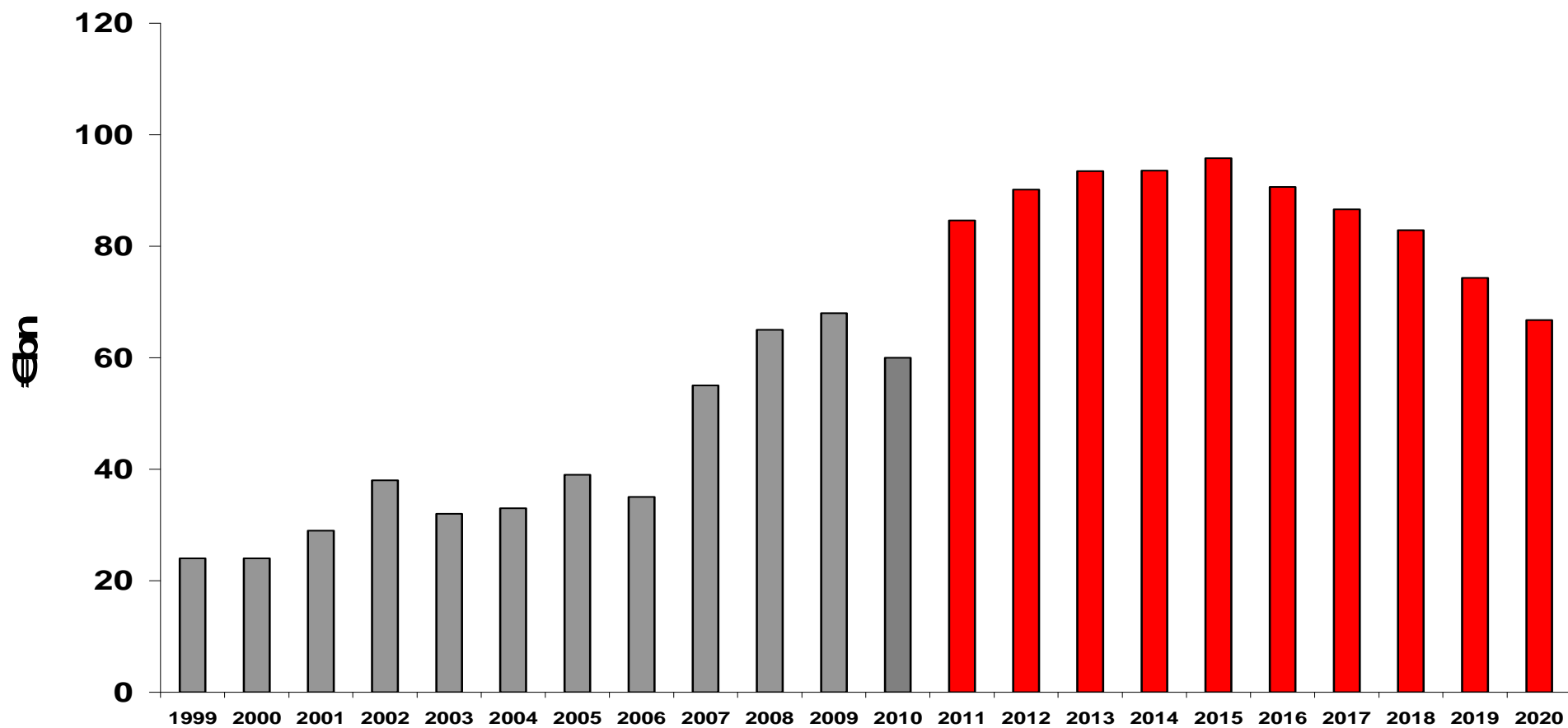


The legislative agenda: consistency to work in!

FIGURE 2: EU LEGISLATIVE FRAMEWORK



Annual Capex – actual and required



Source: Citigroup Investment Research

Role and Position of the Private Sector

- Electricity sector very long term!= need for stable investment climate
- Lions share of investment to be taken up by the private sector
- Investments have become a challenge for many reasons: CAPEX, New technologies, financial crisis and banks/utilities etc.
- Need to have a favourable framework for low carbon investments
- Timing matters, in order to avoid overstretch with unrealistic ambitions in high speed transition to low carbon economy
- Today volatile: examples RES changes, Nuclear phase out, ETS...
- Need for an incentivizing regulatory framework
- Increasing concern with poorly adapted market design today, both for RES, as well as for back up, storage, transmission, smart grids

EURELECTRIC's Key Policy Recommendations

There is a need for a system approach in delivering on investments

Policy makers have to set frameworks, not specific targets. The market shall deliver on the technology mix within the set framework, not governments.

Use of cooperation mechanisms and progressive convergence of support schemes for RES must be incentivised.

A long-term policy must build on the EU ETS as a key driver of cost-effective decarbonisation.

More Europe is needed to enhance economies of scale, and to increase Europe's attractiveness for investors.

POLITICS vs INDUSTRY: ON THE CLIFF EDGE EUROPE'S NEW ENERGY CHALLENGES

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