



## **Enterprise and Industry DG**

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Energy Forum 2013  
“Competitiveness of European Energy Intensive Industry in a  
Globalized Economy”

5 June (13h00 – 16h30), Brussels  
Thon Hotel Bristol Stephanie, Av. Louise 91-93, Brussels

## 2. Key note speech

### *Introduction*

Ladies and gentlemen,

It is my great pleasure to say a few words before the start of the specific sessions.

1. The reason we are focusing today on competitiveness is because competitiveness is the corner stone of growth. Reinforcing competitiveness is not only essential for the short term recovery but also for building the long-term foundations of a prosper European Union.
2. Maintaining and improving competitiveness is a 'sine qua non' for being able to develop the very solutions that we all need for the challenges ahead of us.
3. It is widely recognized, that along with issues such as re-launching investment or improving access to credit, prices and costs of energy inputs are among the most urgent and critical factors the EU has to work on to improve its competitiveness.
4. For instance, the results from a recent Eurobarometer survey indicate that the very first action SMEs take, when trying to be more resource efficient, is saving energy. Energy has become the business of all businesses.
5. Internationally competitive energy prices combined with secure energy supplies are vital for all.

### ***The conditions for energy intensive industries in the EU have become more difficult***

6. In Europe energy prices are now higher than in other regions. From the 1990s up until 2007/2008, prices for US, EU and Japanese natural gas were increasing almost in parallel, and also in line with the oil price. As a result of the unexpected shale gas revolution in the US, US natural gas prices have since fallen to 1990 levels. In Europe by contrast, gas prices have been three to four times as high as in the US.
7. Electricity prices for industry have increased by almost 40% between 2005 and 2012 in the EU while they have decreased by 4% in the US in the same period. As a result, average electricity prices for EU industry are twice those in the US and substantially higher than those in many of the major developing economies.
8. The impact of such high prices is borne by some businesses much more than others. This alarming issue was discussed during the 22 May European Council. As President Barroso highlighted in his presentation to the head of States during the May European Council, energy intensive industries are a special category of industry. They are the most exposed.
9. Energy costs represent about 2% to 5% of production costs of the average manufacturing sector in the EU. But this average hides large discrepancies. In comparison, energy costs represent 35% to 40% of production costs in aluminium production, 20 to 30 % of the production costs in steel production. Energy inputs can reach impressive proportions in some parts of the chemical industry: 80% of costs to produce ammonia are energy costs, 60% of costs to produce ethylene and 40% of chlorine are energy costs.

10. Therefore, how can EU producers of such industries maintain their cost-competitiveness if EU gas prices are four times as high as in the US and electricity prices twice as high?
11. Costs are obviously not the only variable that matters for competitiveness. Investors make their location decisions based on many different factors. But because of the EU energy cost disadvantage, and despite the innovation and energy efficiency achievements, the competitiveness of several strategic industries in the EU is under pressure.
12. This creates a risk that high energy costs and a lack of long term contracts for energy contribute to industries' looking to other production locations. The aluminium industry – which was born in France –has largely moved to other parts of Europe (Iceland, Norway) or outside the EU, especially to the Middle East. We should look at measures, which have to be taken to address these issues generally for those industries still with a strong presence in Europe.
13. Let us take another similar example, the one of the steel industry. In the United States in 2001-2005, before the uptake of shale gas, the country's Steel Direct Reduced Iron plants (DRI) were all closing one after the other. But since the uptake of shale gas, investment in those plants is resuming in the US and still declining in the EU.
14. The high level roundtable on the future of European Steel industry gathered in early 2013 and started identifying relevant policies to relaunch the steel industry in Europe. This round-table opened the floor to the forthcoming action plan for the steel sector that will be released in early June.
15. But the steel industry is one among many energy intensive sectors that deserve our attention. Many energy-intensive industries like steel, glass or aluminium are key inputs for other industries. To "re-industrialise" Europe and move share of industry in the EU GDP to 20% (from the current 15.2%) by 2020 as was decided in the communication of last October, the whole value chain is to be taken into account.

***In the short term, establishing affordable and internationally competitive energy prices to business users is the most pressing issue ...***

16. The impact of high energy prices and costs must be addressed, bearing in mind the primary role of a well-functioning and effective market. The latest May European Council is taking stock of this situation and addresses more specifically the situation of energy intensive industries. It calls for work to be taken forward on the following aspects:
  - on "*innovative financing methods, including for energy efficiency measures. More systematic supply diversification and improved liquidity in the internal energy market (...) have a particular role to play when addressing energy costs*";
  - "*the issue of the contractual linkage of gas and oil prices needs to be looked at*";
  - "*the Commission intends to present an analysis of the composition and drivers of energy prices and costs in Member States before the end of 2013, with a particular focus on the impact on households, SMEs and energy intensive industries. It will also look more widely into the EU's competitiveness vis-à-vis its global economic counterparts. These issues will be addressed in the context of another discussion scheduled for the February 2014 European Council on industrial competitiveness.*"

17. Energy costs and security of supply are among the most important factors determining location and investment decisions.
18. The prices of electricity differ not only throughout the world, but also among EU Member States. In that respect the completion of the internal market for energy is crucial. This is expected to have a positive impact on reducing energy prices in the medium to long term.

***In the mid-term, we are doing our best to transform our constraints in opportunities***

19. As the energy price differential in favour of trade partners is likely to continue, we need to think more boldly and innovate more. Vice President Tajani has called for a new revolution, a "third revolution" that "should accompany, with technological development, a more efficient and sustainable use of ever scarcer resources". The first industrial revolution was the revolution of coal and steam, the second was the oil one. This Third Industrial Revolution is centred on the internet of energy. Potential drivers of this third revolution, include smart cities and smart grids, the car sector, renewable energies, chemistry and buildings.
20. I see energy efficiency as a win-win opportunity and a pillar of the third industrial revolution to answer this challenge of increasing energy prices. Let us take the example of buildings. As buildings consume about 40% of the EU energy demand, saving energy can help reduce our imports on fossil fuels, and avoid costly investments in new energy infrastructures. If taken up seriously, energy efficiency measures can create numerous jobs in construction and installation for decades to come. In addition, it is a highly cost-effective option to reduce greenhouse gas emissions.
21. Yet, the full benefits of energy efficiency have not been taken up. In addition to different legislative initiatives such as the recent Energy Efficiency Directive, the Commission has also adopted in 2012 an Action Plan called 'Construction 2020' to fill in the gaps and at the same time boost the competitiveness of the entire construction value chain.

***In the long-term, the EU needs to fully integrate the competitiveness dimension in its new framework for climate and energy***

22. It is no overstatement to say that the EU is at the global avant-garde as far as protecting the environment. Our climate programme and achievements for instance are unparalleled. We should be proud of that.
23. We also need to ensure that our ensure performance gives us reasons for similar pride.
24. I am of course fully aware of the fact that within the EU the picture of economic and environmental performance is quite diverse.
25. Evidence-based risk analyses should determine our approach in shaping our future responses to societal and environmental challenges, notably in the climate and energy areas.
26. Our future energy and climate framework should marry environmental protection and industrial competitiveness and provide a basis for the creation of growth and jobs in Europe.

27. On the basis of the recently adopted Green paper, the Commission is currently consulting stakeholders on what the 2020-2030 energy and climate framework should look like. The consultation is opened until July 2nd. I encourage you strongly to answer, if you have not done so already.

Ladies and gentlemen,

The road ahead will not be an easy one and we have to be prepared to continue to work with determination. Nevertheless, I am confident that our sustained efforts will bear fruit, and that we will prevail in strengthening our industry's competitiveness through innovative solutions.