



# **IFIEC Energy Forum**

## **“Competitiveness of European EII in a Globalised Economy”**

**“EU industrial electricity users concerns about global competitiveness”**

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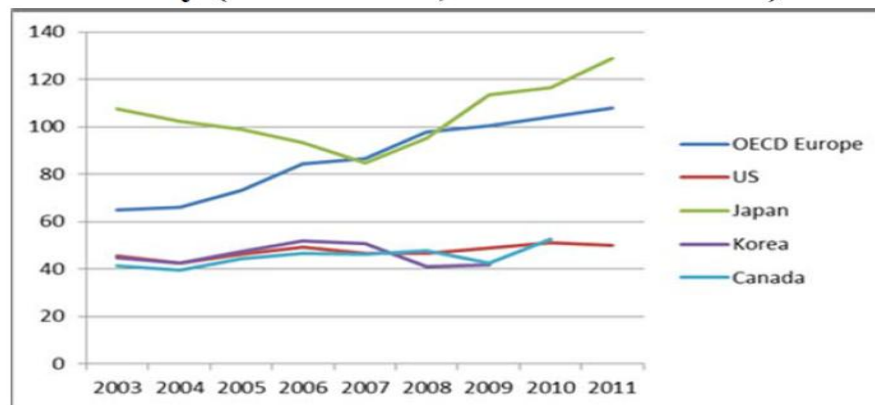
**Chairman WP Electricity**

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# Increasing electricity costs result in marked competitiveness deterioration for EU industrial users...

- The accumulation of EU energy and climate policies has turned into an **addition of costs for industrial electricity users \***
- As a result **the total electricity cost is increasing...**
- ... and **EU industrial electricity users are losing competitiveness on a global field**
  - Cf. EC Industrial Policy Communication Update on 10 October 2012:

**Electricity (EUR/MWh; US data excl. tax)**



Source: IEA energy prices and statistics

*“As regards electricity more specifically, European industry is on average facing significantly higher prices than industries in other developed economies such as the US, Canada, Mexico and Korea – and the difference has on most accounts increased drastically over the last decade.”*

## ... and jeopardise EU industrial electricity users future

- In recent years EU economic environment strongly deteriorated...
- ... putting EU industry at risk:

*Since the beginning of the crisis in Europe:*

- *Employment in manufacturing has fallen by almost 11%*
- *Over 3 million industrial jobs have been lost \**

- In global competition, EU industry cannot pass on costs nor change the source of production
  - ↳ If nothing is done, industry will continue to relocate outside EU
- The EU electricity system becoming structurally more and more costly, the IEM \*\* will not solve this fundamental problem alone

# Therefore strong specific measures are required to avoid “electron-leakage”

- **Restore EU industrial electricity users competitiveness in global markets and restore investors confidence**
  - Urgency measures, to sustain basic industry in the short term
  - Structural measures, to restore competitiveness on the long run
- **Apply hardship regimes to industrial electricity users until competitiveness on global field is restored**
- **All this in a stable, predictable and adapted EU energy legislation/regulation**

# What do EU industrial electricity users need?

- **Review State aid policy for industrial electricity users**
  - All cost components must be treated

<u>Energy</u>	<ul style="list-style-type: none"><li>• Easing restrictions on long-term contracts with incumbent producers</li></ul>
<u>Grid costs</u>	<ul style="list-style-type: none"><li>• Equitable &amp; cost reflective approach for industry taking into account consumption profile (base-load) &amp; flexibility (demand response)</li><li>• Ceiling on extra-transmission costs caused by intermittent sources</li></ul>
<u>Levies</u>	<ul style="list-style-type: none"><li>• Hardship regimes (caps/exemptions) on all kind of levies (cf. ETD)</li></ul>
<u>RES support</u>	<ul style="list-style-type: none"><li>• Hardship regimes (caps/exemptions) from RES support costs</li></ul>
<u>Demand response</u>	<ul style="list-style-type: none"><li>• Encouraging development of voluntary demand response, particularly in the frame of capacity mechanisms discussions</li></ul>

# What do EU industrial electricity users need?

- **Monitor real EU cumulative energy & climate cost to industry**
  - Find and mitigate reasons for global competitiveness gaps compared to key competing nations
- **Structurally improve the EC impact assessments**
  - Bottom-up approach instead of macro-level
  - Looking at subsectors, using transparently available methods

# A new industrial policy to kick start industrial growth

*“Alignment of Member States in industrialization must mean the weaker catching up but not the stronger being weakened!” \**