IFIEC Energy Forum

“Competitiveness of European EII in a Globalised Economy”

“EU industrial electricity users concerns about global competitiveness”

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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:

  
  **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.”**

* Electron cost, climate cost, transport fees, RES support, energy levies,…
... 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

* EC - Industrial Policy Communication Update – October 2012
** Internal Energy Market
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 competiveness *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

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<th>Energy</th>
<th>• Easing restrictions on long-term contracts with incumbent producers</th>
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| Grid costs      | • Equitable & cost reflective approach for industry taking into account consumption profile (base-load) & flexibility (demand response)  
                    • Ceiling on extra-transmission costs caused by intermittent sources |
| Levies          | • Hardship regimes (caps/exemptions) on all kind of levies (cf. ETD) |
| RES support     | • Hardship regimes (caps/exemptions) from RES support costs |
| Demand response | • Encouraging development of voluntary demand response, particularly in the frame of capacity mechanisms discussions |
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
“Alignment of Member States in industrialization must mean the weaker catching up but not the stronger being weakened!” *