



IFIEC Energy Forum 2014

“European Industrial Renaissance requires Competitive Energy”

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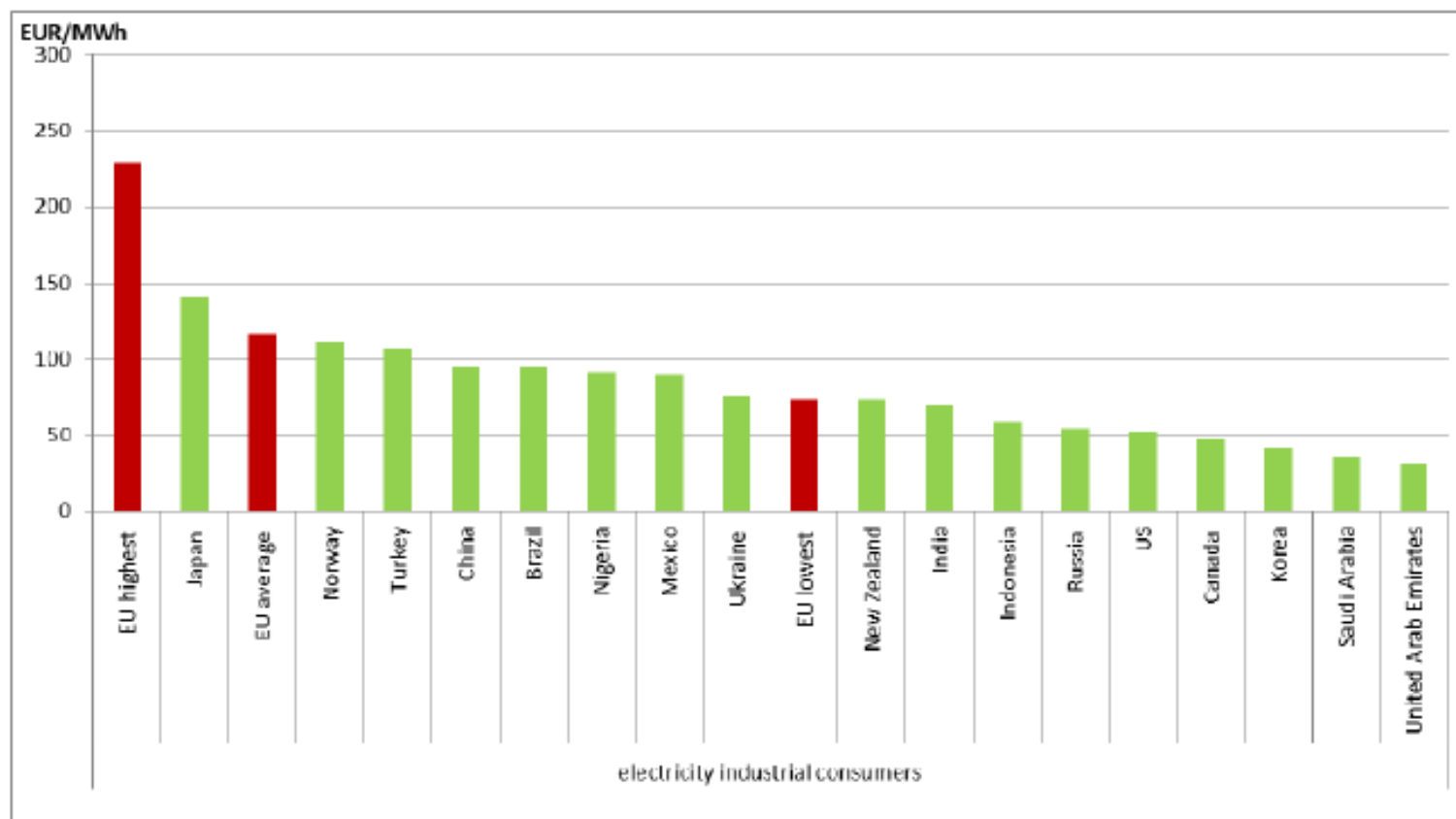
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Industrial Energy Consumers (FEBELIEC)**



Increasing electricity costs for EU basic industry result in significant competitiveness deterioration...

- The accumulation of EU energy and climate policies has turned into an accumulation of costs for industrial electricity users *
- As a result total electricity costs are increasing...

Figure 114. Retail prices of electricity in 2012: industrial consumers



Sources: Eurostat (EU, Turkey and Norway), CEIC (China), ANEEL (Brazil), ERA (Russia, Saudi Arabia, Nigeria, Ukraine and United Arab Emirates, data provided in Euro), Ministry of Finance of India (India), IEA (Japan, Korea, Canada, Mexico, New Zealand, Canada), EIA (USA), Australian Energy Market Commission (residential prices in Australia).

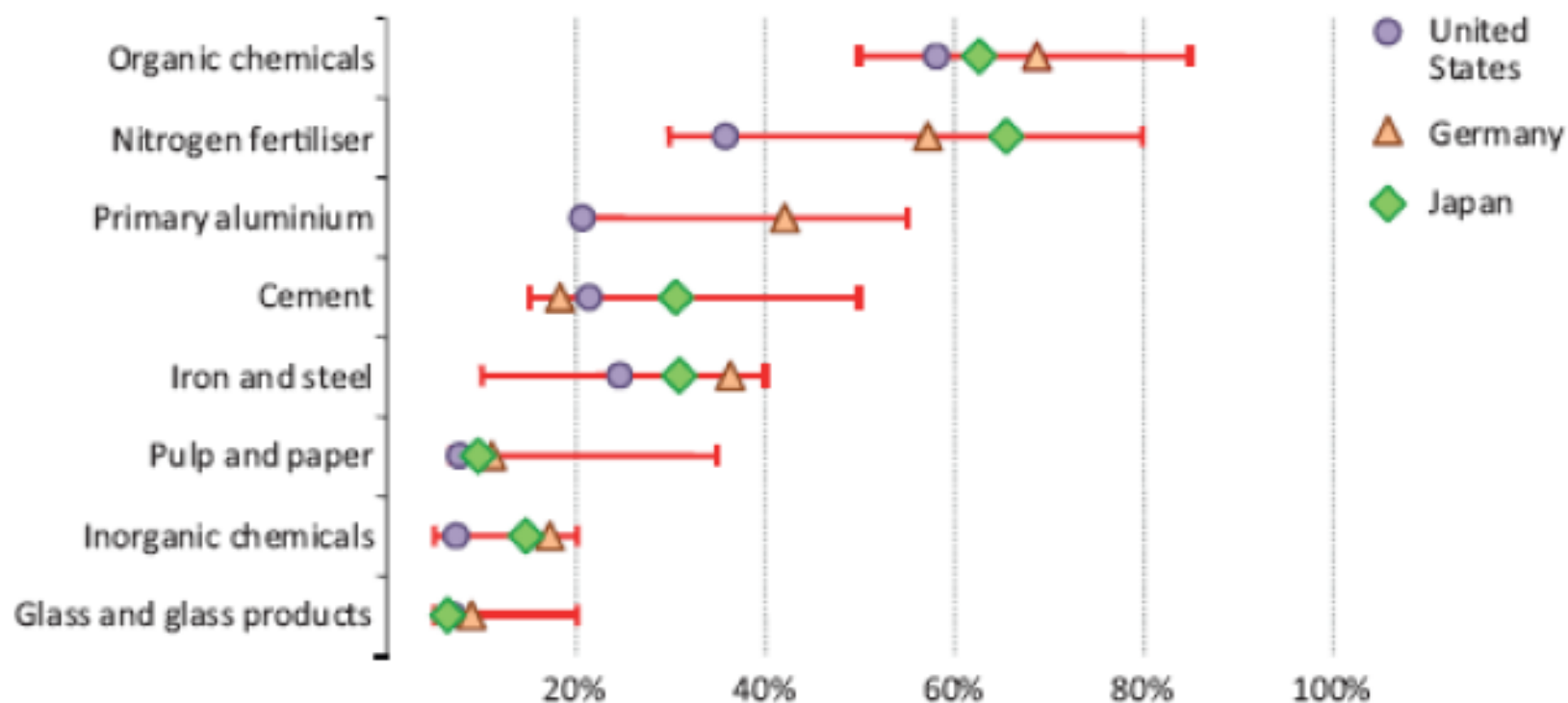
Increasing electricity costs for EU basic industry result in significant competitiveness deterioration...

- The accumulation of EU energy and climate policies has turned into an accumulation of costs for industrial electricity users *
- As a result total electricity costs are increasing...
- ... and EU basic industry is losing competitiveness

EC Communication on Energy prices and costs in Europe (24 January 2014) :

Energy price rises are a major political concern. They create additional cost burdens on hard-pressed households and industry and affect Europe's global competitiveness.

Figure 122. Share of energy in total production costs by sub-sector, 2011



Notes: Red horizontal lines show typical ranges for the world. In chemical industries, energy is used both in the production process and as a feedstock. Pulp and paper excludes printing. There are no data for primary aluminium in Japan as production there is minimal.

... and jeopardise EU basic industry future

- In recent years EU economic environment strongly deteriorated...
- ... putting EU basic 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 basic industry cannot pass on costs nor change the source of production
 - ↳ If nothing is done, production will continue to be relocated outside EU
- The EU electricity system becoming more and more costly, **the IEM completion alone will not solve this structural problem**

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

- **EU basic industry competitiveness and investors confidence must be restored:**
 - Through urgent measures, to sustain industrial electricity users in the short term
 - Via structural measures, to restore competitiveness in the long run
- **Hardship regimes to industrial electricity users should be allowed until competitiveness on global field is restored**
- **All this in a stable, predictable and adapted EU energy legislation/regulation**
- *“Alignment of Member States in industrialization must mean the weaker catching up but not the stronger being weakened!” **

MANIFESTO

EUROPE'S MANUFACTURING
INDUSTRY CEOs CALL
UPON HEADS OF STATE TO
**STREAMLINE 2030 STRATEGY
TOWARDS GROWTH AND JOBS**

The ever increasing surcharges in Europe impact the total cost structure and create an unprecedented burden for manufacturing industries.

Grid tariffs must reflect the contribution (predictability, modularity) of flat but flexible consumption profiles to system stability and integrity.

Long term energy supply contracts give more visibility and should be supported.

A functioning internal energy market (IEM) and applying the Guidelines on State Intervention in electricity markets (DG Energy, 5 Nov. 2013) are important levers to limit the dramatic increase of system costs (including levies, grid costs and taxes).

The transition to a low-carbon economy must be driven in a cost- and time-efficient way

More R&D and innovation are needed: immature technologies must not be scaled up too quickly.

Voluntary demand response is much cheaper than capacity mechanisms to tackle grid peaks but a stable regulatory framework with adequate visibility and remuneration is needed.