

PRESS RELEASE

IFIEC Europe's response to the EC Public Consultation on Generation Adequacy, Capacity Mechanisms and the Internal Market in Electricity

End of 2012, the European Commission (EC) released a public consultation on "generation adequacy, capacity mechanisms and the internal market in electricity". The consultation covers areas such as generation adequacy and capacity remuneration mechanisms.

The highlights of IFIEC Europe's (IE) response are:

IE has observed that in some Member States (MS) there is very limited or no investment in new non-renewable generation capacity. In some MS there is even not enough spinning reserve available because of mothballing or decommissioning. IE believes that this could lead to risks of blackouts. According to IE the lack of investment in new capacity or the lack of "spinning" capacity is mainly caused by market distortions and specific barriers to investment.

IE believes that EC and MS should first and foremost focus on the elimination of market distorting elements such as over-subsidizing renewable energy and the lack of balancing responsibility for intermittent generation such as solar and wind. Secondly, political and regulatory uncertainty should be reduced to create a stable investment climate. Thirdly, the internal Energy market must be completed, a.o. by implementing the third energy package immediately in all member states. Above that, MS should take into account the impact of their energy related decisions on other member states, supported by a clear European energy policy. Only then can the market function correctly and ensure sufficient capacity.

If, however, these measures prove not to be sufficient and the market still cannot deliver a suitable level of security of supply, a capacity mechanism might be a solution. According to IE, straight capacity payments to energy producers are not the most cost efficient solution. IE sees a major role for the energy-intensive industry to provide solutions when the system is in distress: the energy-intensive industries that are able and willing to provide flexibility, or accept to be exposed to non-firm capacity, can offer important and efficient demand side management services to the market.

Any decision regarding capacity mechanisms should only be taken after detailed and quantified analysis, in particular for the impact on the final consumer. Security of supply should be ensured with the most economically efficient approach, so as not to threaten international competitiveness of industrial energy consumers.

IFIEC Europe's reaction can be read in full length here: http://www.ifieceurope.org/docs/IE_Answer%20to%20EC%20Consultation%20on%20generation%20adequacy_130207.pdf

For further information please contact:

Peter Claes, Deputy President IFIEC Europe, Phone: +32 496 59 36 20; febeliec@febeliec.be

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IFIEC Europe represents energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.