

PRESS RELEASE

EU leaders must take concrete action to enable true gas market competition

European energy intensive industry strongly welcomes that European leaders have committed to discuss the negative impact of oil-indexation on energy costs and industrial competitiveness at the EU summit tomorrow. The increasing cost gap between Europe and other regions is a serious threat for European competitiveness, growth and employment. It is encouraging to see that EU leaders are committed to address the problem to restore and secure Europe's position in the global competition. European gas consumers pay four times more than their North American competitors. This situation is not sustainable and actions are urgently needed. Already in 1979, the European Commission established that oil-indexation is a harmful practice and that it should be replaced. It is high time to move from word to actions. IFIEC now urges EU leaders to take all necessary steps to enable a competitive gas market where the price is set by supply and demand.

The gas price in Europe, in contrast to the United States, is not only set by the balance of supply and demand, but is to a large extent linked to oil through indexation. This practice has led to excessive pricing and is an obstacle for competition. According to recent estimates, oil-indexation costs European energy consumers 20 billion USD in 2012 alone. Some major gas suppliers fight hard to keep oil-indexation, despite strong opposition from consumers, politicians and legal experts.

“European industry is exposed to global competition, which makes the need for reform urgent. Oil-indexation is neither a fair nor a predictable pricing mechanism; it curbs competition and keeps the price artificially high. The price for gas in Europe should be set by the interaction of supply and demand in the market; only this would give the right price signals necessary to develop an efficient gas market“ says Steinar Solheim, Chairman of the Gas Working Party of IFIEC.

“A fair and transparent gas market is essential to ensure that the EU can rise to the challenges of global competitiveness, growth and employment. There is no rationale for oil-indexation anymore. If European leaders are seriously committed to creating a true and competitive internal market for gas, they will urgently need to take action against oil-indexation.”

Over the years, the European Commission has repeatedly noted that oil-indexation is irrational and harmful for competition and that it should be replaced. Legal experts have also argued that oil-indexation may constitute an infringement of European antitrust rules. IFIEC is also welcoming the ongoing debate in the European Parliament, where several prominent members have called for concrete measures against oil-indexation.

“It is gratifying to see that the European Commission and the Parliament share our concerns over oil-indexation, IFIEC is now urging European leaders to move beyond words and take the necessary steps to enable a true competitive gas market in Europe. “ Solheim concluded.

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