



SPEAKING NOTES

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THIRD EUROPEAN NUCLEAR ENERGY FORUM BRATISLAVA, 3-4 NOVEMBER 2008

THEME 3: OPPORTUNITIES OF NUCLEAR ENERGY

STATEMENT BY DANIEL CLOQUET DIRECTOR, INDUSTRIAL AFFAIRS

ON CONCRETE WAYS TO TRANSLATE COST ASPECTS OF NUCLEAR INTO ELECTRICITY PRICES FOR THE BENEFIT OF FINAL USERS

Monsieur le Président,
Ladies and Gentlemen,

The issue of translating cost aspects of nuclear into electricity prices for the benefit of final consumers is a key issue, which, in BUSINESSEUROPE, must be tackled from two angles:

- First of all, the highest strategic level, through achievement of the internal energy market;
- Secondly, at practical level, through encouraging cost-based TVO type pricing models, that have just been described by Mr Pertti Simola (TVO) and long-term contracts between suppliers and users.

Regarding the internal energy market, BUSINESSEUROPE is happy to see that progress is taking place towards more effective unbundling and improved governance, but we consider that additional market-based measures will be needed to reach the goal of an optimally functioning electricity market.

Regarding the more practical measures, it is indeed vital to accelerate the development of innovative and freely negotiated long-term contracts between suppliers and users, with price arrangements that reflect the cost-competitiveness of nuclear and which improve the visibility of the economic conditions for future energy supplies. Today, the classical contractual models do not leave a lot of space for defining such price arrangements. And that situation creates missed opportunities. As the Exeltium long-

term contract shows in France, it is possible to develop win-win approaches for suppliers and users, which satisfy the test of EU competition law. As you know, the Exeltium model will organise supplies over a period of more than 20 years, with prices that will reflect the cost of developing and commissioning reactors of the new EPR generation. In the agreement, a consortium of users will make an upfront payment of 3 billion euros.

BUSINESSEUROPE welcomes the fact that the European Commission's Competition and Energy Directorates-General have given the green light to the draft Exeltium agreement subject to a few adjustments.

BUSINESSEUROPE believes that additional initiatives along the lines of Exeltium or following other innovative approaches are essential to enhance the contribution of nuclear energy directly or indirectly, in order to achieve the objectives of security of supply, competitiveness and climate protection.

To progress in this direction, it is essential that we eliminate a number of bottlenecks.

At national level, legislation sometimes generates uncertainty about the effective duration of contracts. Public authorities often do not play a pro-active facilitator role.

At European level, uncertainties have been generated by the Commission's thinking in connection with competition law. As I said, these uncertainties have decreased with the Exeltium decision, which is very positive, but they have not completely disappeared. This is the case with complex issues like agreements with leading producers. These agreements are sometimes the only option for accessing competitive assets. The commission focuses a lot on possible negative effects on competition. But it is important also to look at potential positive effects. These can take the form of increased efficiency gains and guarantees of optimal levels of investment in the sector. Providing energy users with a fair share of resulting benefits can be planned. So, a multi-criteria assessment must be used.

To conclude, Ladies and Gentlemen, we believe that it is key that a political momentum develops at Community level, so that the usefulness of long-term contracts is better recognised. BUSINESSEUROPE is pleased that the European Parliament has already made a contribution in this direction with the reports of Mrs Morgan and Mr La Russa on the gas and electricity markets. These two reports call for promotion of long-term agreements between suppliers and users to be integrated in the tasks of energy regulators, under well defined practical conditions.

We hope that the Energy Council will now take this point on board and thereby initiate the creation of an EU framework that facilitates long-term contracts.

Thank you.
