



Brussels, 26 November 2015

*****Check against delivery*****

Intervention by Director General Markus J. Beyrer at the European Social Partners Meeting on the State of the European Energy Union

Dear Vice-President Šefčovič,

We are grateful for the possibility to exchange views on the first state of the Energy Union. As I mentioned at our first meeting, we support your commitment to revitalise energy policy and to strengthen the EU's ability to act in this field. The Energy Union brought political momentum to balance the EU's energy, climate and industrial challenges better than in the past. What counts now is to keep this momentum into the implementation phase.

We acknowledge the progress made by the European Commission in implementing the Energy Union. In terms of energy security and energy market, a lot has already happened. In particular, Europe is making progress in developing further interconnections. The new France-Spain interconnector, the completion of the electricity cable between Malta and Italy or the new LNG terminal in Lithuania link these states closer to a European energy market.

The commitment of the European Commission to take actions and be fast is positive, because actions are needed. As you said Vice-President "2016 is the year of delivery" with a number of legislative initiatives coming. But great caution is needed on their design as there are not only good examples so far. I will come back to this in a minute. Let me first highlight a few topics of importance for the preparation of some of the initiatives next year:

1. On our common energy market, we support the objective to remove regulatory obstacles to cross-border trade of electricity (and gas), as planned in the new market design proposal. We should also aim at attracting investments in the energy sector through price signals and competition in an energy-only market. For this, absolutely essential are predictable and stable policy framework conditions.



More specifically we call upon the Commission to ensure strict enforcement of competition rules regarding existing capacity mechanisms. It is important that these mechanisms can work with the internal energy market in a non-distortive way.

2. On energy efficiency, European businesses have greatly contributed to make Europe one of the most efficient regions in the world. To treat energy efficiency as an energy source in its own right is important to keep progressing on this front. This needs to be done in a cost-efficient and technology-neutral manner. In particular, the Commission should refrain from putting new burdens on European industry when proposing to revise the Energy Efficiency Directive.

There is still large potential in Europe to increase energy efficiency, through behavioural changes and through cost-effective technologies. In particular, the building sector has considerable untapped possibilities whose energy use represents about 40% of the EU's consumption. Financing energy efficiency initiatives should be the main focus in reducing both the cost of promoting energy efficiency and also its potentially unsustainable impact on energy bills. Obstacles such as limited access to finance or high upfront costs need to be addressed in a coherent way.

3. On the Intergovernmental Agreements (IGAs) in the field of energy. Without questioning the diversification agenda that you are promoting, which we support, on this specific issue of IGAs, the need and reasons for a revision of the Decision is not crystal clear. In particular, it remains unclear how serious the problem is, to what extent competition is hindered and security of energy supply is undermined. We also believe that governments and industry have already at their disposal the necessary guidance and expertise under existing EU law.

All in all, we remain to be convinced on the need for a revision of the Decision. But if it comes it is highly important to found it on principles of freedom to conduct business, the right of good administration as well as on European law for protection of business secrets.

4. My last point is on the post-2020 ETS reform. I have said at the beginning that great caution is needed on the design of legislation. While the ETS



reform has been the first concrete proposal, we don't think it has reached the right balance.

We strongly support the ETS as the key EU instrument to incentive emissions reductions, but it has to work for all sectors. And the European Commission's proposal misses this objective because it will foster the investment leakage trend. The average annual investments by energy intensive industries have declined in Europe by 15% compared to pre-crisis level, while it has grown in the US by 13% and in Japan by 11%. By reducing so drastically the amount of free allowances, the European Commission's proposal is further undermining the global competitiveness of the sectors without delivering significant benefits to the global challenge of climate change.

To conclude, BUSINESSEUROPE remains highly committed to work with the Commission and with the social partners to make the Energy Union a success. But I would like to recall that the challenge of high energy prices in the EU will be a key success criteria for us. We now expect concrete and decisive actions on this front.

Thank you.