



CHECK AGAINST DELIVERY

Markus J. Beyrer, 24 October 2016

Dear Ambassador Micovčín, dear Commissioner Canete (dear Miguel), dear President Kiralvarga, dear minister, dear state secretary, distinguished speakers, dear colleagues,

· thank you all for being here. It is my pleasure to welcome you on behalf of BusinessEurope. This conference is **organized under the auspices of the Slovak Presidency and with kind financial support of CEZ Group and our member, the Danish industry**. Following up on our successful event last week on the EU ETS, it is rewarding to see you again in such great numbers.

· Mentioning the climate policy, let me use this opportunity and **congratulate the Commissioner for the achievement in COP21** in Paris and rapid entry into force of the new deal. We are now entering into an implementation phase and the business community is ready to give a hand. It has a central role to play in delivering solutions to reduce emissions and have a low-carbon society.

· Today, we approach you with another very topical issue this time – the **European power market and renewable energy**. European Commission is planning to publish a new market design package, together with the revised Renewable energy directive, energy governance and other important pieces of this complex regulatory mosaic by end of the year.

· We gathered here, on the Slovak 'soil', not by a coincidence. Despite the fact that the **Slovak Presidency** started in rather difficult times, we see that they already handle well other energy proposals (security of gas, Intergovernmental agreements). And with the new proposals to come we see that the role of the Council and Member states will be even stronger, as the domain of energy (mix, security) lies to large extent in their hands. For that reason we invited interesting speakers not only from the EU institutions, but also from member states, industry or international institutions, ensuring diverse expertise.

· At BusinessEurope there is a **strong interest in the power market design** and related topics. Less than a year ago we prepared an extensive response to public consultation, following a thorough debate and agreement together with our member federations, companies and sectors, including that of power industry.



Following the agenda for today and structure of this conference, let me bring in some preliminary views and ‘food for thought/discussion’. And I shall start with the power market situation in general and investments. This will be a crucial debate of the first panel.

- Firstly, I need to stress that the power regulation is not happening for the sake of the power sector itself, but the ultimate goal lies within the society at large. Despite the fact that it often becomes a cliché, our objective still remains clear – to have **a secure, affordable and clean energy supplies to both households and industry. And therefore it is necessary to phase out or at least limit the bursting policy costs and taxes, that are pushing the energy prices up.**

- Having said that, the ongoing **transformation of the energy system** seems more difficult and more profound than envisaged. And current market design doesn’t seem fit for purpose anymore. Among other things, we face – **lack of investments in flexible generation, upscaling renewable energy sources contributing to oversupply (while in some regions we face scarcity), rising energy prices and growing number of public interventions** going in the opposite direction of energy-only market, to name the key symptoms. We read that investments needed in the next decade are calculated in trillions. And the figure of 6% of fossil generation phased out each year confirms we speak of generational change.

- The overall strategy has to be well translated into number of policy areas, including the European power system and markets. And here concretely BusinessEurope called on the policy makers to reform the **European-wide electricity market** to facilitate unhindered flows of electricity across borders and to reduce costs for consumers, (both industry and households), while being fully decarbonized. A market-based approach should be a core element towards delivering the new power market design, aiming at stimulating industrial growth and job creation.

- We are convinced that such European-wide and interconnected market can reduce costs for consumers, when opting for a market-based approach. The benchmark of today’s market design is the **‘energy-only market’** attracting economically viable investments through price signals and competition.

While we speak about more integrated and interconnected market, we are witnessing a new trend in Europe - increasing and uncoordinated interventions at national level. And the second panel will specifically look into this topic - particularly at the capacity mechanisms. Before summer BusinessEurope also organized a workshop on capacity mechanisms, which lead to our message on this difficult and controversial topic.



· Despite the ongoing discussion on the right model and a more energy-only approach in Europe, the **interventions at national level increase with fast pace**. Member states justify them by the necessity to secure supplies of energy. Hence, we **have to ask ourselves, whether a more European approach and regional cooperation, together with more integrated and interconnected markets, is still a preferred model for European energy system**. Like any regulatory intervention, **uncoordinated capacity mechanisms** have risks associated and it is crucial that Member States and the European Commission work together to ensure all other options are exhausted before capacity mechanisms are pursued. I believe that the second panel should bring more clarity in this regard.

And let me also touch upon the last session of our today's conference, surely not of least importance. And it is also a significant vehicle of Europe's decarbonization efforts - the renewable energy.

· **Renewable energy has grown up. It is not a child anymore that has to be taken by its parents' hands.** Renewable energy has emerged from a niche to a major energy source and became cost competitive during the last years. Onshore wind energy costs about 70 EUR/MWh whereas gas fired power stations (combined-cycle) cost about 100 EUR/MWh and coal fired power stations cost about 90 EUR/MWh in Europe. Therefore we must phase out costly support schemes and adapt to new market realities. At the same time, we need further growth of renewable energy in Europe to decarbonize our energy system. However, the upcoming "renewables package" must work for the whole triangle – energy companies, technology providers and especially consumers.

· **Renewable energy has to become an example of a best practice.** And it is part of this important upcoming debate today **how to make them fit for the market and the market fit for renewables** – only this way we make it a success story.

Ladies and gentlemen, let me stop here, and invite the host of our conference, the representative of the Slovak Presidency, as well as then the keynote speaker, Commissioner Miguel Arias Canete, to let us have a peek in the kitchen. I wish you pleasant and fruitful event.