

# Liberalisation of the European Energy Markets

## Past, Present, and Future

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- **Bonn / Germany**
- **Managing Director: Dietmar Dürr**
- **Areas of Expertise:**
  - EU Directives, Energy Laws
  - Regulation, Unbundling
  - Emissions Trading
  - Political Communication Strategies



- **„Think Tank“**
- **Bruxelles / Heart of the EU**
- **President: Dr. Rolf Linkohr MEP**
- **Areas of Concern:**
  - European Energy Strategies
  - European Energy Mix
  - Climate Policy & Poverty
- **„Bringing together decision makers all over Europe“**

# History of Energy Liberalisation I

- **European Community for Coal and Steel (1952)**
- **EURATOM / Roman Treaties (1957)**
- **„The birth of the European Union“**
- **But: No Energy Chapter in the Treaty of Maastricht (1993)**
- **EU Competence derived from internal market / competition**



# History of Energy Liberalisation II



- Debate ca. 1988/1989
- UK Market Liberalisation 1989ff.
  - EU Debate stalled 1995/1996
- ➔ Cut of the Gordian Knot 20.06.1996

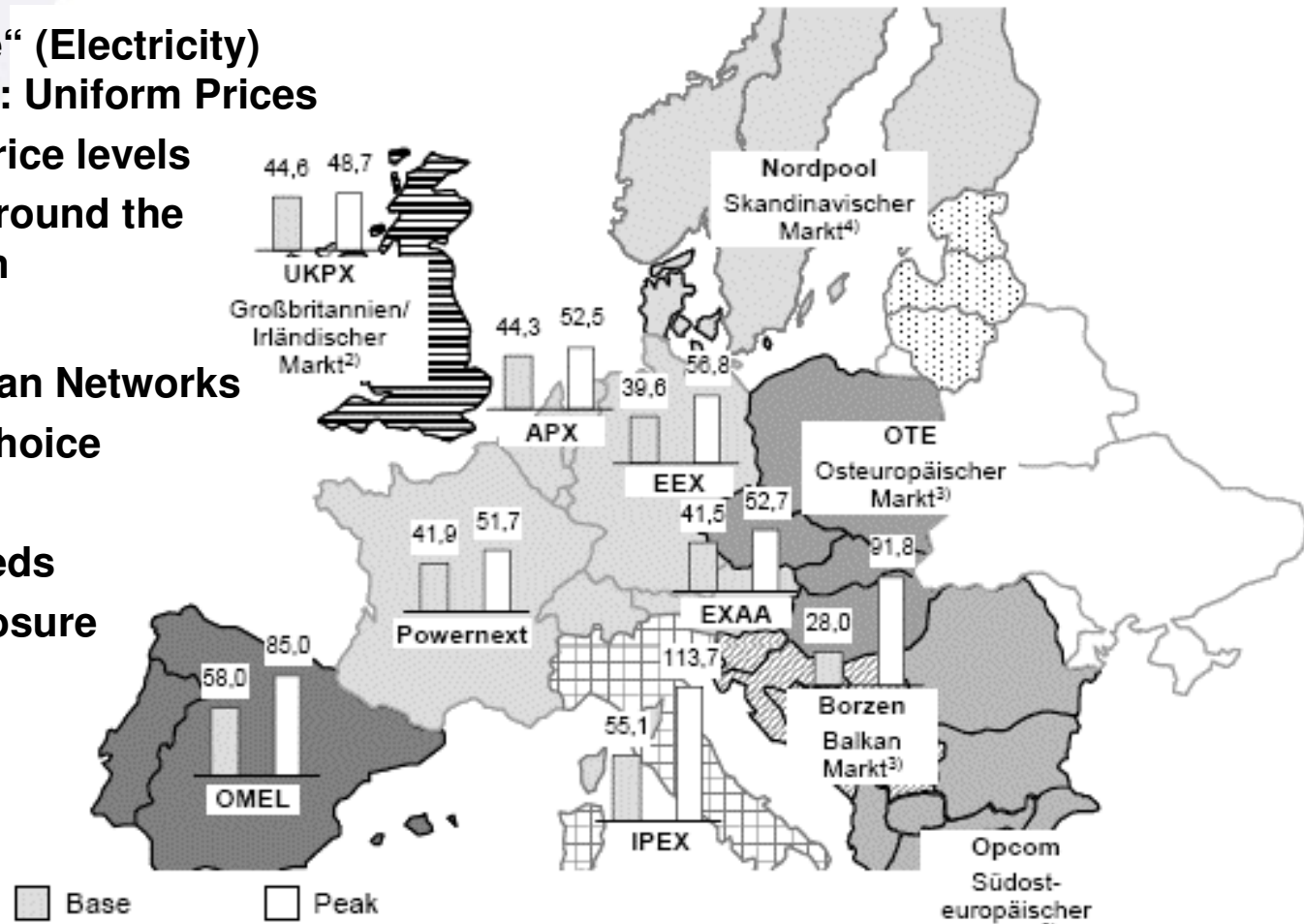
**1st Energy Directives: 19 Feb 1997  
„Internal Market in Electricity and Gas“**

**Woes: Different Speeds**

**Instant Opening: UK, FIN, SWE, DE  
Slow Movers: AT, ESP, NL  
Late Adopters: FRA, GR, IT**

# 1st Energy Directives (19. Feb. 1997)

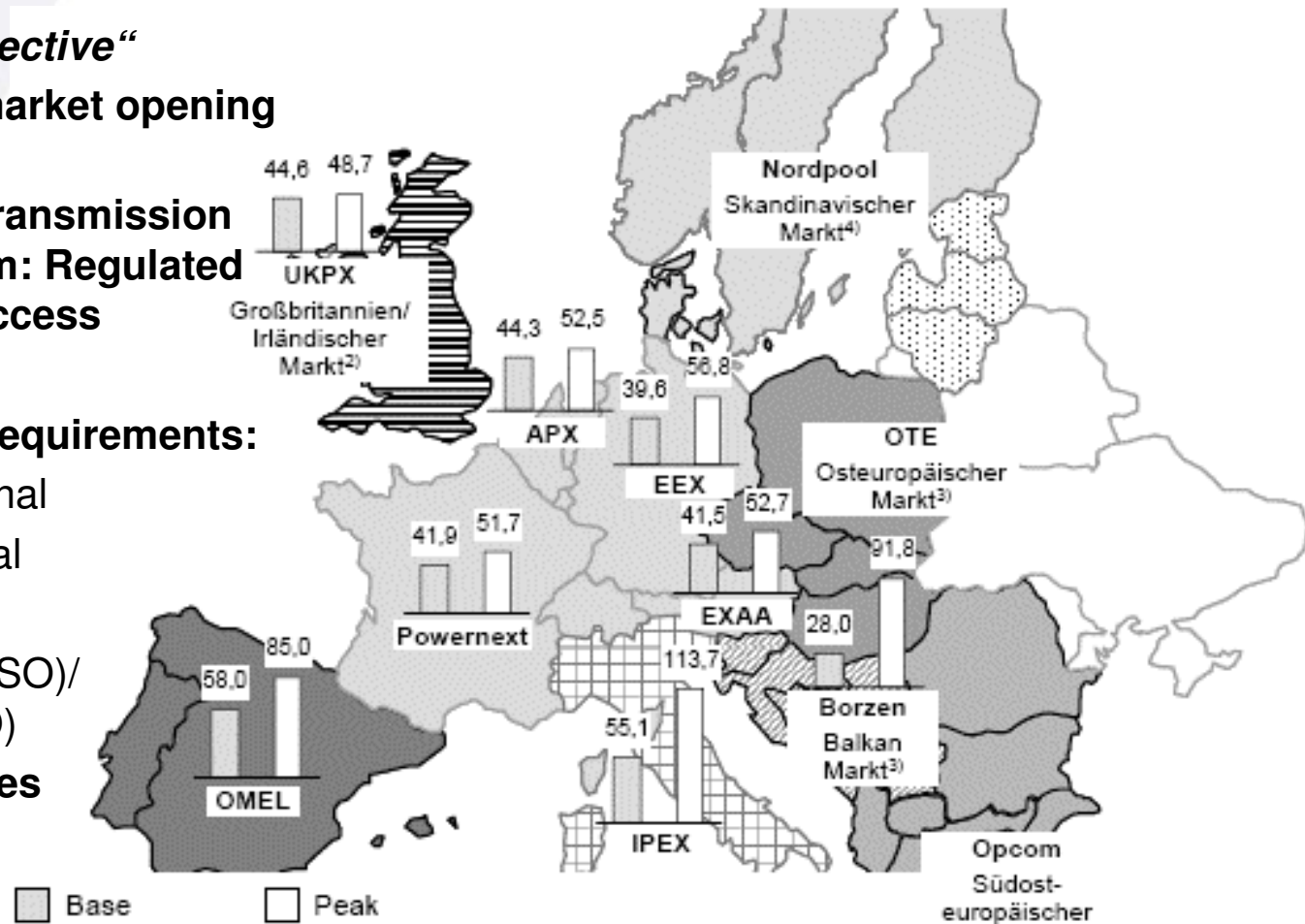
- „Copper Plate“ (Electricity)  
„Basin“ (Gas): Uniform Prices
- 5 European Price levels
- Price Peaks around the Mediterranean
- Instruments:
- Trans-European Networks
- Freedom of Choice
- Problems:
- Different Speeds
- Market foreclosure (grid access)
- Systems



# 2nd Energy Directives (26. June 2003)

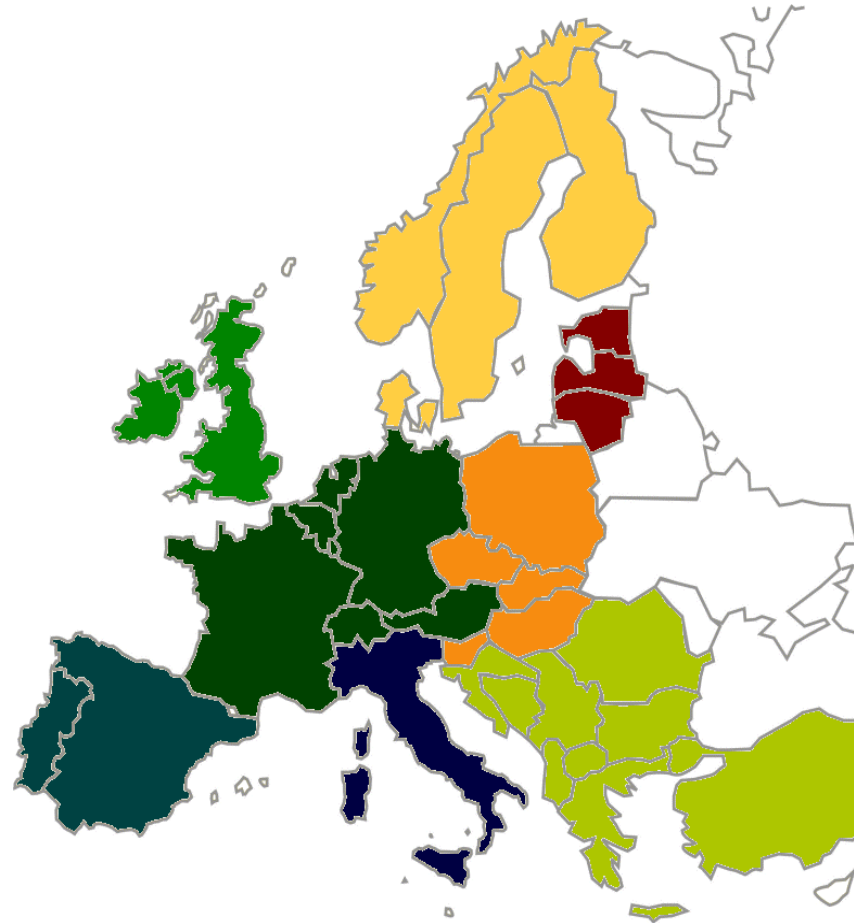
## „Acceleration Directive“

- 100 percent market opening by June 2007
- Harmonized transmission access system: Regulated Third Party Access
- ERGEG
- Unbundling Requirements:
  - Informational
  - Operational
  - Legal
  - by 2004(TSO)/2007(DSO)
- Energy Sources



# Electricity Regional Initiatives (ERI)

- 2005: XII Florence Forum: Regional Energy Markets
- 2005: Pentalateral Forum
- 2006: ERGEG: ERI

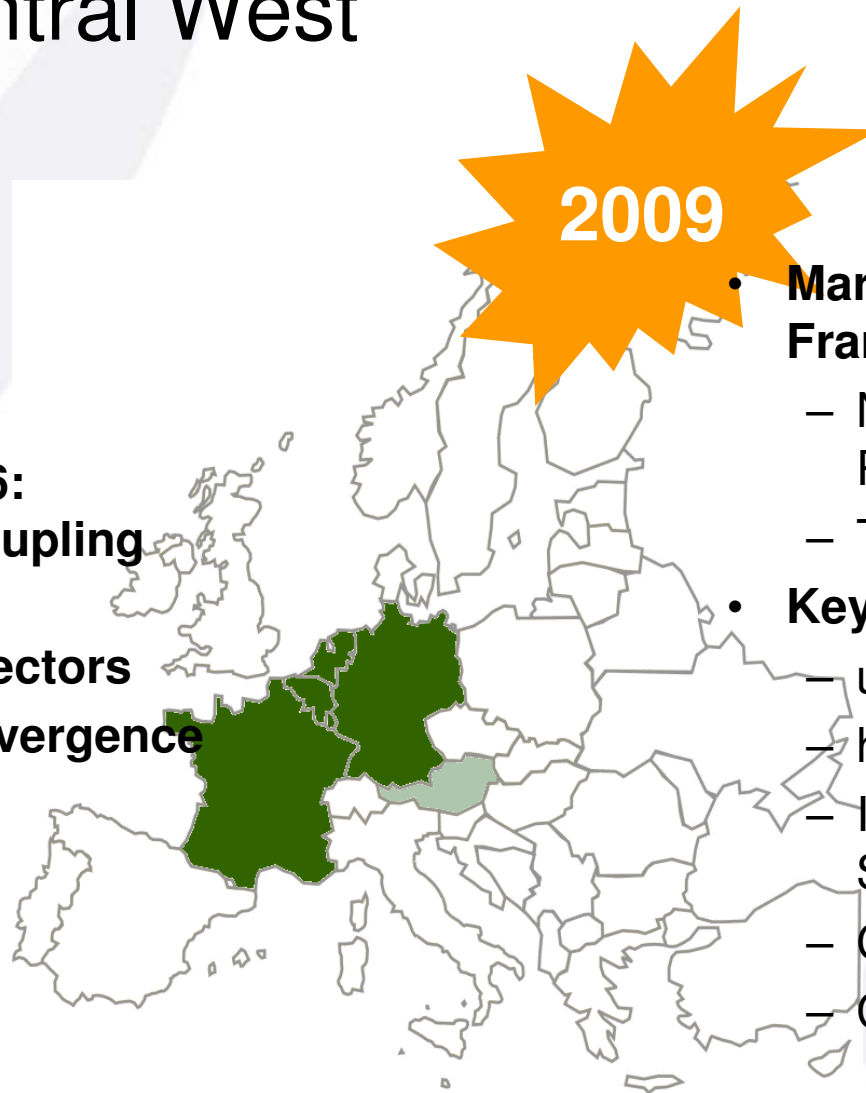


# ERI Central West

- Germany
- France
- Benelux

• **21.11.2006:**  
**Market Coupling**  
**Benelux**

- **Interconnectors**
- **Price Convergence**



2009

**MoU (06.06.2007)**

- **Market Coupling of Germany, France, Benelux (Austria)**

- Northwest European Platform (NWE MPP)
- Target: 1. January 2009


- **Key Provisions:**

- uniform auction
- harmonised trade
- Introduction of a Regional System Operator (RSO)
- Capacity Management
- Cross border regulation








# Priority Interconnection Plan (2007)

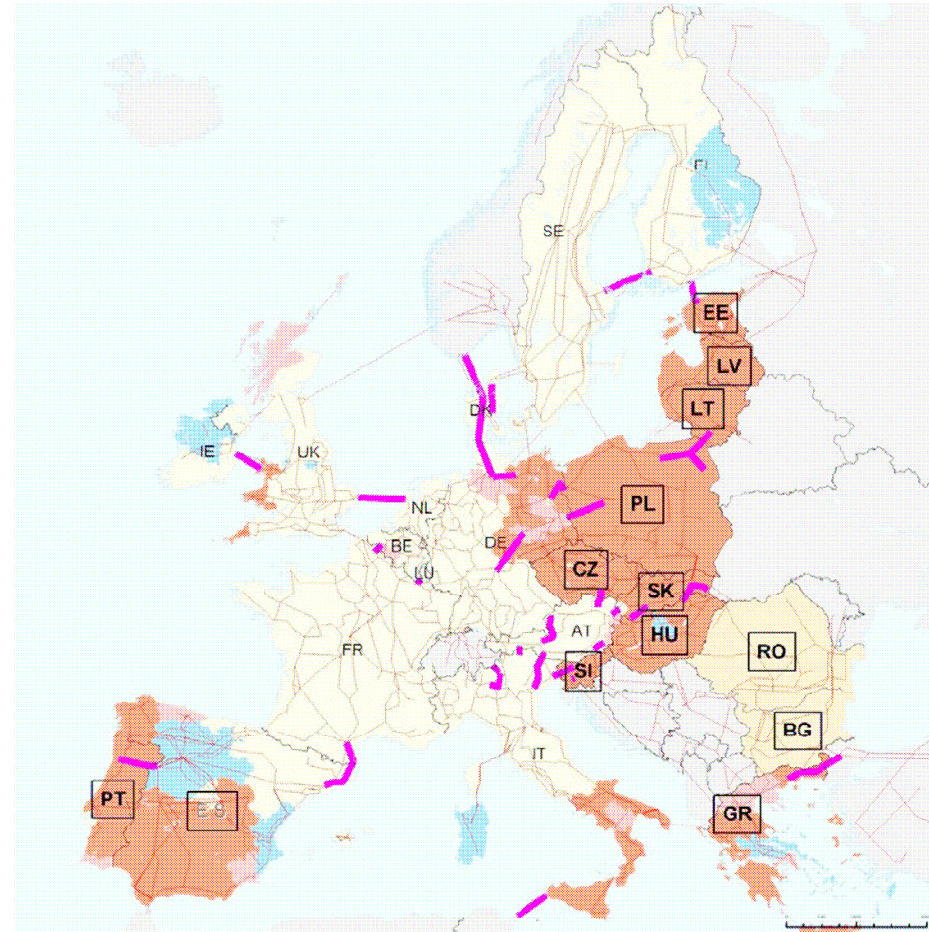
- Identification of Bottlenecks
- Prioritisation
- Incentives for extending interconnectors?
- Regional System Operators
- ETSO+/ERGEG+

 Projects of European Interest

## Convergence and Competitiveness

Objectives 2007-2013

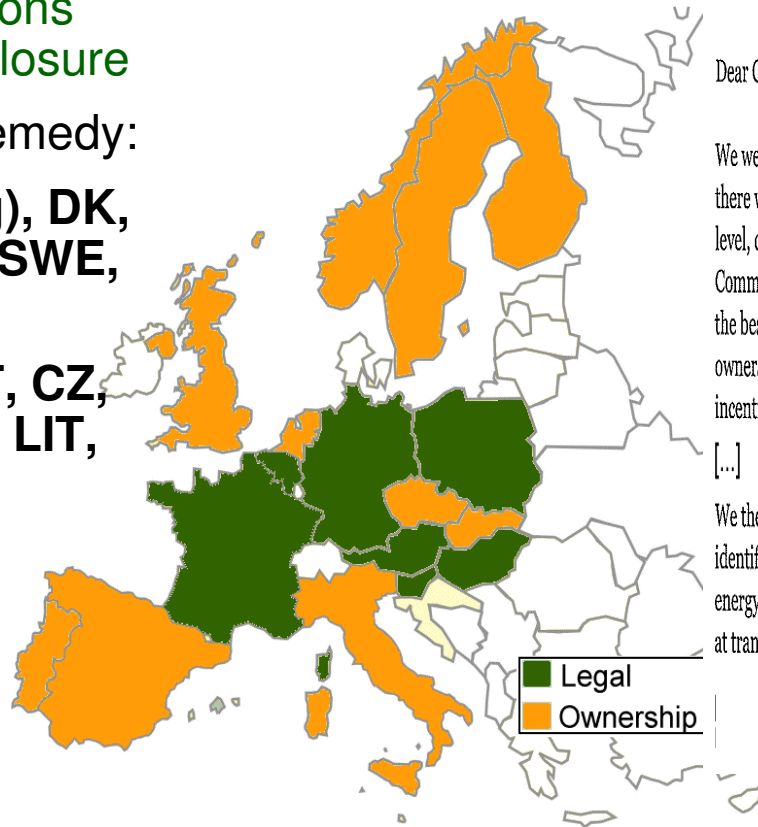
-  Convergence Regions
-  Convergence Regions (Phasing-out)
-  Competitiveness and Employment Regions (Phasing-in)
-  Cohesion Fund - beneficiary countries
-  Cohesion Fund (phasing out)



# Ownership Unbundling (TSO)

## Energy Council, 06.06.07

- DG TREN: Sector Inquiry: Competitional Distortions through Market Foreclosure
- But: OU no general remedy:
- **In Favor: UK (strong), DK, FIN, NL, ROM, ESP, SWE, BE**
- **Opposed : F, DE, AT, CZ, HUN, GR, LUX, EST, LIT, LET, SLO**



THE MINISTER  
Date: 22 JUNI 2007

Dear Commissioner,

We were all pleased to note that at the TTE-council meeting on 6 June 2007 there was a clear majority in favour of ownership unbundling at transmission level, confirming a positive trend over the last few years. We agree with the Commission's analysis which clearly points out that ownership unbundling is the best solution. Independent transmission system operators without ownership interests in production and supply will ensure the best possible incentives for investments in infrastructure and non-discriminatory behaviour. [...]

We therefore urge the Commission to maintain its preferred solution as identified in the 10 January package and look forward to its proposal for a third energy liberalization package with strong provisions on ownership unbundling at transmission level.

# Energy Package of the Commission (2008)

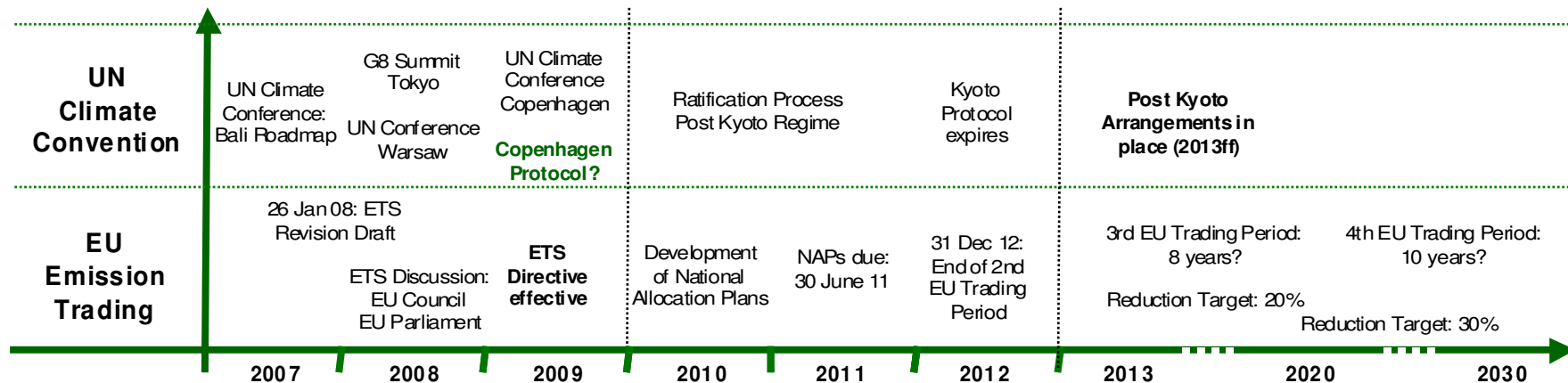
- **José Manuel Barroso: „Milestone in the Energy Policy of the European Union“, Andris Piebalgs: „a new industrial revolution“**
- **Integrated Energy and Climate Package for the 21st Century**
- **Energy Package:**
  - 3rd Energy Directive: OU / ISO (Third Way, Fourth Option)
  - Joint Energy foreign policy
- **Green Package:**
  - Renewable Energies (20 percent by 2020)
  - Energy Efficiency Plan (20 percent reduction by 2020)
  - Green Paper Market Mechanisms
- **Emissions Trading Directive 2012ff**
- **CCS Directive**

# Emission Trading Directive

- **Post Kyoto Target: 20/30 percent by 2020**
- **Problem: Burden for the economies (auctioning, leakage effects)**
- **Debated: Return of auction revenues**
- **Problem: Burden Sharing**

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## Linkage: Climate Dialogue & EU Emission Trading



# Emission Trading Directive

- **Problem: Cap Setting:**
- **In the NAP II, the Commission made severe cuts to the NAP II of MS:**
  - Baltic countries (-47-55%)
  - Bulgaria (-38.4%)
  - Poland (-76 million tonnes)
  - Germany (-29 million tonnes)
  - Bulgaria (-25 million tonnes)
  - Romania (-20 million tonnes)
  - Czech Republic (-15 million tonnes)
  - Italy (-13 million tonnes)
- **Hungary, Poland, Czech Republic, Latvia, Lithuania and Malta appealed to the European High Court to challenge the Commission's cuts.**

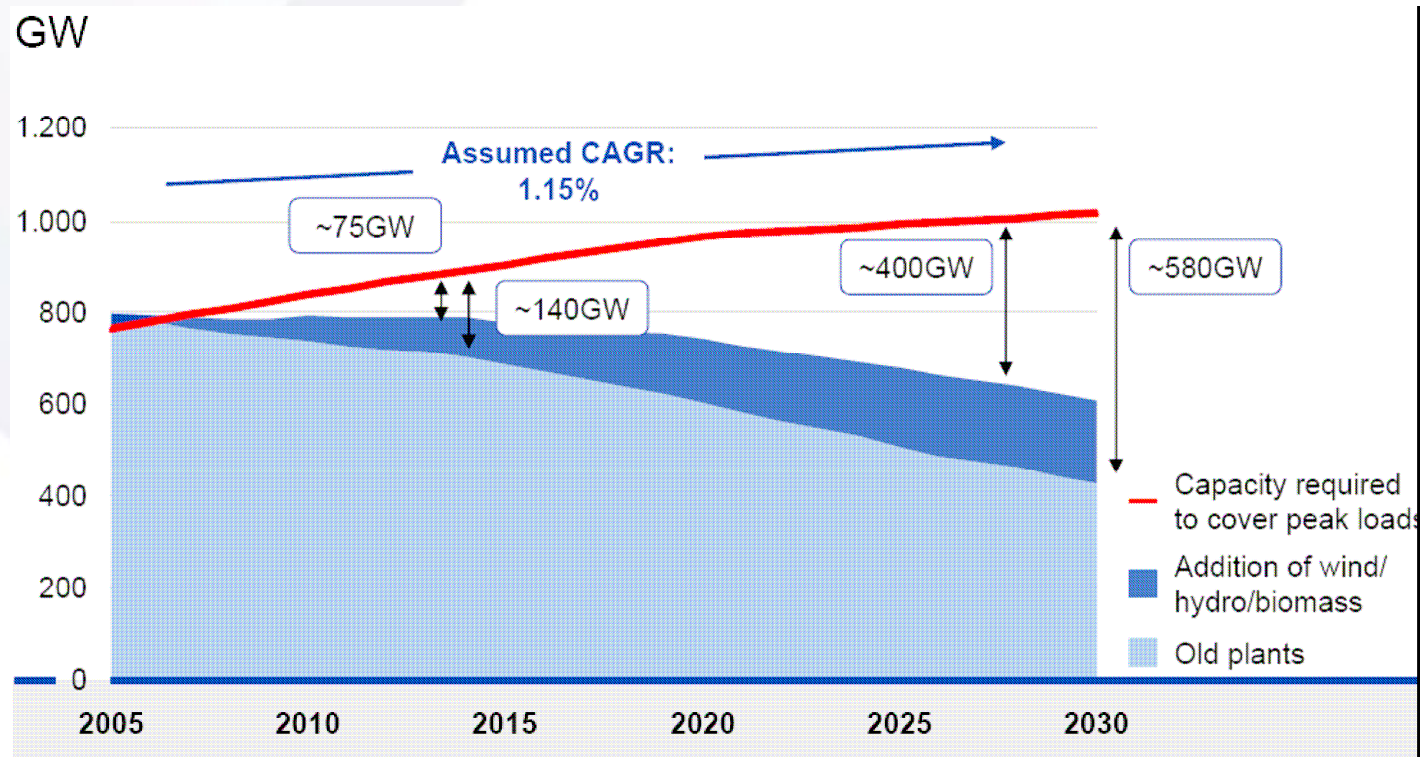
# Emission Trading Directive

- **Closely linked to RES, EE, and CCS Directive:**
  - ETS will not suffice
  - Commission less low key on national Energy Mix
    - Requires a joint European energy foreign policy
    - Encourages a new nuclear programme
    - Asserts that Europe will be dependent on coal for a long time
    - CCS directive: CCS Requirement for new coal fired plants
    - Trends in Energy Efficiency: Demographic factor / Heating Pumps

# Renewable Energies Package

- **Same Problem: Breakdown of 20 percent target between MS**
- **France & Austria demand lower targets due their contribution to climate protection (nuclear, water).**
- **Spain and Germany are reluctant to give up on their feed-in laws**
- **Commission favors „Green Certificates“ system**
- **„White Certificates“ (Energy Efficiency)**
  
- **20 percent target renewable energy leaves 80 percent fossil fuels**
- **Question of grid integration and backup capacity**

# EU Generation Capacity: Solutions



1. Capacity Payments;
2. Reflective Metering (and lowering of peak demand)
3. Re-Unbundling (TSOs responsible for backup capacity)



# EU Generation Capacity: Blackouts?

- **Italy 2003**
- **London 2003**
- **Muensterland 2005 (RWE)**
- **Elmsland 2006 (E.ON)**

	Limit values	E.ON (Landesbergen)	RWE (Wehrendorf)
1	Thermal capacity	2000 A	2000 A
2	Security limit value, warning (alarm) value	2000 A	1795 A (90% of 3)
3	Tripping current	2550 A (85% of 4 for max. 1h)	1995 A (95% of 4)
4	Tripping current	3000 A	2100 A

Table 1: protection settings in Landesbergen und Wehrendorf

Source: UCTE Final Report

- **No capacity problems (save for reconnection of wind energy)**

# Policy Goals vs. Policy Formulation

- **THIRD LIBERALISATION PACKAGE:**
  - **Market Integration needs reinforcement of grids & systems: Costs?**
  - **20 percent goal RES needs back-up capacities etc.: Costs?**
  - **RSO initiative needs systems, infrastructure, and personell: Costs?**
  - **Disaggregation of energy companies gives up on synergies: Costs?**
- **EU Commission:**  
*„In any event, the objective of ownership unbundling is not necessarily to bring prices down but to achieve a price setting which reflects the real costs of efficient operation.“*

# Policy Goals vs. physical constraints



# Contact

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