Brussels, 21 November 2016

*** Check against delivery***

INTERVENTION BY DIRECTOR GENERAL MARKUS J. BEYRER AT THE EUROPEAN SOCIAL PARTNERS MEETING ON THE ENERGY UNION

Dear Vice-President Šefčovič,

Thank you for giving us the opportunity to exchange views prior to the publication of the energy winter package. We all have expectations on this major legislative package. I will come to this in a moment, but let me start with COP22 that ended last Friday.

COP22 in Marrakesh

We had clear expectations.

Firstly, clear actions in the field of transparency. In particular, progress towards developing common rules to measure, report and verify CO₂ emissions. Those rules are key to build trust and confidence that nations are meeting their commitments.

Secondly, significant progress on the design of market and non-market mechanisms. Such mechanisms should help to achieve and potentially increase emissions reductions. It should also stimulate
investment in low-carbon projects and help create a global level-playing field.

The outcome is rather mixed. If Marrakesh brings us more clarification on the transparency framework, it is regrettable to see so little progress in the market issues. On a positive note, the decision to start a process to make information from national pledges more comparable is important to understand better the impacts on competitiveness on European business.

Of course, no one can deny that the US elections bring into questions the positive dynamic that came out of the Paris agreement. My message is simple: we call on all countries to deliver on their climate promises agreed in Paris. It is key to keep an important partner like the US on board to tackle climate change, also because the country plays a growing role in shaping the global energy landscape and is a key partner in innovation and clean technologies. If the US does not live up to its obligations, Europe cannot take over the share.

Let’s move to the winter package. It is difficult to comment on a huge legislative package in just a couple of minutes. What I can do is to give some indications on (i) concerns we have, (ii) where we support the Commission and (iii) where we expect more from you.
Energy efficiency

My point of concern is on the on-going debate around the 2030 energy efficiency target.

It is crystal clear that Europe needs to continue on a path of being more energy efficient. European business have greatly contributed to make Europe one of the most efficient regions in the world. It will continue to play its fair share.

But moving from an indicative 27% energy efficiency target to a binding 30% target would have to be justified by a significant economic benefit and a realistic approach on the investments required. From first calculations, it seems that the Commission forecasts around 400% increase in annual energy investments, compared to what was the reality in the last decade. This would be even more amplified by moving from 27% to 30% or beyond. While we support more investments in energy efficiency, policy should be based on realistic scenarios.

On top of that, it risks jeopardizing the political balance reached on the overall architecture of the 2030 energy and climate targets, which the European Council set in October 2014. Since then, the
European Commission argues that the conclusions are the ‘Alfa-omega’. What signal are you giving if you suddenly divert from it? Is it the predictability you are often referring to?

A last point of great concern is on the impact it would have on carbon price. As negotiations on the EU ETS reform progress, it is key to make sure the system is not undermined by an overly-ambitious energy efficiency target.

To sum-up, we maintain our views that an indicative 27% energy efficiency target, as part of the overall energy and climate policy design, remains the best and most cost-effective option.

**Capacity mechanisms**

I come now to my point where we support you.

The winter package will put forward measures to reform the power market. We need it because the ongoing energy transformation is more difficult and profound than envisaged. Current market design is not fit-for-purpose anymore. We face a lack of investments in generation, an upscaling of renewable energy sources, a rise in energy prices and a growing number of national public interventions creating adverse interferences in the energy market.
Let me elaborate further on this last point.

National interventions through different forms of capacity mechanisms are increasing with fast pace in Europe. Around 35 schemes have already been looked at by the Commission. Member States justify it primarily for reasons of security of supply. At the same time, it is clear that a stronger European approach, on system adequacy for instance, would be wise to make our energy system more resilient and effective.

That is why we support the European Commission being strong towards Member States in scrutinizing existing schemes (out of the 35 schemes only three have been notified and two cleared by the Commission so far) and making sure that all other options are exhausted before new capacity mechanisms are considered.

**Energy prices**

My last point is on the challenge of high energy prices. A subject we have already discussed a few times. On this one, we expect more from the Commission.

On the one hand, we are making progress on shaping the *diagnosis*. A number of meetings have already discussed the nature and scale of the problem. The updated ‘energy prices and cost report’ that will
be part of the winter package will deepen further our common understanding.

But on the other hand, we are still missing a real discussion on the therapy. For this, we would need a more structured dialogue, which looks in a comprehensive manner at all the different drivers impacting on final energy prices. For example,

We often hear the argument that by building a functioning internal and electricity market we can offset the burden of energy prices and make our markets more competitive. I would not disagree on the principle, but it would be wise quantifying better the expected offset.

On capacity mechanisms, we have very little clarity on how much it will impact electricity prices. Some work in the US show that the cost can amount to 15 or more % on the final energy price.

On carbon price, we all expect a stronger investment signal out of the on-going EU ETS reform. However, do we have clarity on how much, through indirect carbon cost, this would impact the final energy bill? We have recently published our first carbon pricing survey which clearly shows that companies expect carbon price to increase, and at the same time to negatively affect their investment decisions in the EU.
We therefore call on you to set up a structured dialogue, with stakeholders, in order to find the right therapy.

Thank you for your attention.

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