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CEEP Central Europe Energy Partners REPORT

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FOR THE ATTENTION OF: HERMAN VAN ROMPUY, PRESIDENT OF THE EUROPEAN COUNCIL

MEMORANDUM

WARSAW, 13TH OF MARCH, 2014

Paweł Olechnowicz

Central Europe Energy Partners (CEEP) AISBL, is an organisation representing 22 energy and energy-intensive companies from Central European countries, employing over 300,000 workers with a total revenue of more than 42 billion Euros.

CEEP and representatives of other companies and organisations representing the energy and energy-intensive sectors, held a special meeting in Warsaw on the 13th of March, 2014, in order to discuss the Commission's Communication 'A policy framework for climate and energy in the period from 2020 up to 2030' – which was published on the 22nd of January, 2014.

The parties at the meeting came to a common position which is presented below in the form of a memorandum.

Considering the ambitious plans for Europe's 2030 climate goals, presented by the Commission on the 22nd of January, 2014, we are convinced of the need for a thorough and intensive public debate to review and assess the possible impact of the proposed set of policies on the European economy, including the development of industry, competitiveness, and social impact (unemployment, power poverty, social exclusion).

We entered into a comprehensive exchange of findings and views, and consider the following to be of utmost importance in the further deliberations of the EU Council, European Parliament, and the Commission:

1. Energy constitutes an irreplaceable, critical backbone of our civilisation. As such,

it deserves to be addressed and regulated through a 'stand-alone' EU energy policy, rather than be treated as a service area for achieving climate goals. Only a balanced and harmonised approach to energy-climate-economic policies will help Europe to both sustain development and guarantee growth. If the EU believes in a strong and competitive Europe, the Member States should be free to use the cheapest and most readily available indigenous sources

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of energy, whilst simultaneously maintaining a steady reduction in CO_2 emissions, as well as deploying fuel specific benchmarks fostering innovation across the sector.

2. Given the variety of energy-mix types in Member States, the 'one-size-fits-all' approach to energy policy simply does not work.

3. Implementation of the 2020 Energy & Climate Package has already given us some valuable experience. However, some of the lessons learnt should be incorporated into the 2030 Package. This is particularly true of:

a) The question of new reduction targets proposed by the European Commission, which should be thoroughly analysed before any new CO_2 emission reduction targets are set and take into account the costs of such actions for the economies of all of the Member States separately (loss of competitiveness, increases in the price of energy, lower growth levels) and for societies (more expensive energy, loss of jobs).

b) As for the social impact and perception of energy policy concept, it is unfortunate that from the social perspective, the only clearly visible effect of current policy implementation is the systematic growth of energy prices. In order to fulfil the requirements of the 2020 Package in Central Europe alone, the level of investment necessary in the energy sector by 2020 should amount to approximately Euro 400 billion. These very high investment levels will have a heavy impact on energy prices and we are quite certain that neither our societies nor our economies, will be able to bear such a strain.

c) All new technologies should be fully mature and commercially available before their implementation is demanded by law. Otherwise, obligations like this will inevitably undermine the process of the creation of a competitive, internal energy market, as well as seriously threatening the security of supply. Enforcing compliance in the not-as-yet fully-developed technology areas (for example: CCS) without effective monitoring and an early warning system, would enable policy corrections and/or reversal. Energy sector investment comes with long-term ROI and the price for failure hits industry very hard. If we force the pace of change, regardless of the cost and commercial viability, we can usually expect reverse effects, and the otherwise strongly welcome technologies and solutions become less not more attractive to the market. Capacity mechanisms and contracts for market differences should be seriously considered by the EU.

d) The fact that EU economies are at their best when we support market forces at work. Despite this fundamental truth, we are too often tempted to deploy administrative measures to market mechanisms, such as EU ETS. It is regrettable, costly, and will further lower Europe's competitiveness, without bringing the expected results, causing further carbon and investment leakage, especially in relation to energy-intensive industries. Any potential intervention into the system, either in the way of backloading or through the creation of a stabilisation reserve, will hinder the future predictability of the EU ETS, making it less credible. As it is, manual control of the EU ETS is seriously undermining the market character of the scheme itself.

e) The proposal of changing the EU ETS system into a CO_2 emissions system with fuel specific benchmarks (individual categories for coal, gas, lignite based technologies) should be introduced.

f) Member States are responsible for energy security, therefore, any political decision cannot question this prerogative.

g) The process of elimination of fossil fuels from the EU's energy-mix is not economically or politically justified, as these are valuable assets supporting the EU's competitiveness and technological progress, enables the EU to deploy more and more developed technologies increasing energy effectiveness, and at the same time, decreasing CO_2 emissions.

h) Environmental and Energy Aid Guidelines must allow Member States to fully exempt energy-intensive industries from national decarbonisation surcharges - such as taxes, levies, grid levies, and other costs relating to the support of low carbon

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generation - as long as competitors on global markets do not have to bear such costs.

4. Experience of the recent financial and economic crisis in Europe clearly enhances the need to re-define EU climate policy and harmonise it with the social and economic policies of the Union. Today, the two most pressing challenges facing us are a return of our economies onto a path of growth, and secondly, the creation of new jobs. This will not happen if the price of energy keeps going up vis-à-vis our global competitors. At the same time, it has become obvious that in the current macroeconomic environment, a sustainable contribution of globally-competitive European industry to the growth of our GDP still remains an anchor for the economic growth of our societies.

5. Climate change is a global phenomenon and requires a global response, in particular, from economies such as the USA, China and Russia. The EU has been, and will be, a leader in fighting climate change, but has to lead both effectively and within its means.

Having said the above, I would like to appeal to you as the President of the European Council, to take into consideration the following conclusions:

The package of regulations and communications submitted by the EC on the 22nd of January, 2014, should be thoroughly discussed among Member States, with the proviso that no decisions are taken by the European Council on March the 20th and 21st, 2014, regarding the climate and energy-related goals, but by the new Parliament, Council and Commission, which should have more time to consider the complex problems presented, and produce a balanced approach to the EU's economic situation and climate issues on the global scale.

Paweł Olechnowicz
Chairman of the Board of Directors, CEEP

UPCOMING EVENTS

47. ENERGIEGESPRÄCH
AM REICHSTAG

Dr. Friedbert Pflüger, Director of EUCERS and Janusz Reiter, President and Founder of the Centre for International Relations; and Central Europe Energy Partners (CEEP), are organising the '47th **ENERGIEGESPRÄCH** – Am Reichstag', which will be held on the **21st of March, 2014, at 1:00 p.m.**

During the debate, **Mr. Ulrich Grillo, President of the Federation of German Industries (BDI), and Mr. Michael Vassiliadis, Chairman of the IG Bergbau, Chemie, Energie,** will deliver keynote speeches.

The panel discussion will focus on the following topic: **„The German Renewable Energy Act and Capacity Markets – Can the Energiewende still be rescued?"**

MARTIN SCHULZ TALKS TO MAREK ORZECHOWSKI

We need to lower energy costs

Martin Schulz

Marek Orzechowski (MO): How would you describe the general approach of the House to the Energy Policy?

Martin Schulz (MS): First of all, the European Parliament is aware of the importance of energy, which is the backbone of any economy. The energy sector is a key factor that determines the rate of economic growth and how quickly jobs are created. In short, the quality of our everyday lives depends on energy.

Secondly, the European Parliament firmly supports the completion of the single market in energy. The EU's energy market is fragmented, which makes our economies less efficient in terms of global rivalry and results in higher prices for consumers.

Thirdly, the EU is dependent on imports of energy resources. It is, therefore, essential that we speak with 'one voice' to foreign suppliers, in order to negotiate the best terms. It is also important to diversify energy supplies.

Finally, the development of renewable energy is absolutely crucial. It is now indisputable that we burn too many carbohydrates. This leads to global warming and climate change. Renewable energy is an important tool in fighting climate change, along with increased energy efficiency. The development of cleaner energy will also result in the creation of many new, high-quality jobs.

(MO): Rising energy prices are a real problem for businesses and people in Europe. What can we do about them?

(MS): True, businesses and people feel the pain of high electricity and fuel bills. There are many factors behind high energy prices. For starters, global oil prices remain high, although fortunately, not as high as in 2008, when they reached 150 dollars per barrel. This record level was reached, partly due to rising energy consumption in countries such as China, but also because of speculation on future oil contracts. We should perhaps regulate this market better to prevent such speculation.

Prices of gas are important for electricity costs. In our dealings with gas suppliers, we should, therefore, abandon old-style contracts, which link gas prices to those of oil. I have already talked about the need to speak with 'one voice' to foreign suppliers, which will strengthen our hand in negotiations.

Most crucially, though, we must improve the efficiency of the energy market by investing in infrastructure, interconnectors, introducing smart technologies at the distribution system level and building new, intelligent and flexible generation capacities.

(MO): Can the EU's energy policy offer real potential for boosting growth, improving competitiveness and creating jobs?

(MS): Absolutely, high energy costs stifle the economy. So, we need to lower these costs through the means I have already mentioned.

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We need to lower energy costs

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We also need the third industrial revolution in energy, which would make it not only cheaper, but greener. This process will involve the creation of many good jobs.

(MO): Our energy security depends on direct supply lines from our energy suppliers. What practical steps must we take in order to realise our security?

(MS): We must diversify imports, increase efficiency by introducing new technologies, invest in renewable energy and finally, fully introduce in all countries the third energy package, which will bolster competition and lower prices. Individual countries have their own projects with which to increase their energy security, such as the development of nuclear energy or shale gas exploration, but it is not up to the EU to decide on the energy-mix. The EU only offers guidelines and target to implements agreed policies, for example, in the area of the environment.

(MO): So what you are saying is that Energy policy will play an important role in the forthcoming EU elections?

(MS): The European Parliament has wide powers in the energy sector. Voters should be made aware of that, as their quality of life depends on energy. The completion of the single market in energy, in which no country is left isolated as a lonely island, will be an important task for the next Parliament.

Martin Schulz is a Member of European Parliament since 1994. He led the SPD MEPs from 2000 and was subsequently elected Vice-Chairman of the Socialist MEPs. In 2004 he was elected group leader of Socialists and Democrats in the EP. From 17 January 2012 he is the President of the European Parliament.

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Implementation of Market Coupling in Europe: challenges and opportunities

Henryk Majchrzak

By Henryk Majchrzak

Implementation of an integrated common European-wide electricity market, ensuring for smoothly co-ordinated trade from Lisbon to Helsinki is one of the key elements for establishing the European Union as a competitive and efficiently-functioning economy.

Market coupling is one of the fundamental goals of the European Commission on the path to creating a single energy market across the European Union, bringing several advantages to the fragmented European electricity market. The idea of market coupling involves linking together transmission capacity allocation and electricity trading across countries and regions, allowing all market participants to fully benefit from the existence of a cross-border market, without the necessity to participate in transmission capacity and energy auctions, separately. Moreover, market coupling ensures that market transactions will be concluded in the correct market direction, i.e. from less expensive regions towards the more expensive ones.

One of the last milestones in terms of reaching the above goal has been realised by the project partners of the North-Western Europe (NWE) day-ahead price coupling project. The 4th of February, 2014, marked the date of the first implementation of the Price Coupling of Regions (PCR) solution, developed by European Power Exchanges, covering a major part of the European power market. The project incorporates the previously coupled Central West European region (CWE) with the Nordic, Baltic and UK power markets, along with the Swe-Pol link between Sweden and Poland. The project began in 2011, including 13 transmission system operators (TSOs) and four power exchanges. Completion of this project is a major step towards an integrated European power market. The next step is joining other regions, including Central-Eastern Europe (CEE) to the NWE region, which is expected to happen in 2015/2016.

One of the major challenges in that process is technical co-ordination of the use of transmission infrastructure. The European power market model assumes that the transmission networks of EU-Member States, constituting 'zones' or 'market areas', are treated as 'copper plates' and possible congestions occur only in cross-border connections between them. Transmission System Operators (TSO) calculate every day the transmission capacities available for cross-border trade, and then make them available to the market participants in dedicated auctions. The main difficulty in cross-border capacity calculation is, however, the uncertainty concerning the way market transactions, concluded by market participants, are physically realised

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Implementation of Market Coupling in Europe: challenges and opportunities

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in practice. Due to the zonal market model in Europe, market participants are not required to indicate the exact location of where the energy is produced and received. This means that when determining the capacity available to the market for cross-border trade, TSOs have only limited information about the predicted behaviour of market participants, which is usually based on historical data.

Another important factor amplifying the previous difficulty, is insufficient co-ordination between the different EU Member States during the capacity calculation and allocation process. In order to ensure technically feasible market outcomes, when calculating and allocating cross-border capacity, all TSOs should take into account the possible influence of transactions carried out on their borders on power flows in the neighbouring power systems. However, current practice in Europe shows that this is not always the case, especially in the CEE region. The most serious consequence of this insufficient co-ordination is a raft of unscheduled flows (also called unplanned power flows) occurring on a large scale in the European transmission network. Such unscheduled power flows become an important barrier to electricity market integration.

Unscheduled flows are power exchanges that were not reported to the TSOs, in the form of nominated cross-border exchange schedules. They are often defined as the difference between cross-border commercial schedules and physical flows and mainly concerns renewable electricity (wind and solar). When organising the cross-border electricity market, one should, therefore, set the rules in a way that the majority of the cross-border flows are to be controlled and allocated by market mechanisms. In a zonal market model, one cannot expect that unscheduled flows do not exist; a limited volume of unscheduled flows must be duly accepted and tolerated as an inherent side-effect of the lack of accurate representation of the network, for the implementation of market processes. At present, though, the volumes of unscheduled flows on many borders in Europe are much higher than the volumes of commercial schedules. This situation is unacceptable for many TSOs, as:

- Unscheduled flows disrupt the effective functioning of a cross-border electricity market. Currently, the cross-border capacity allocation mechanism controls only a small part of the cross-border physical flows, because a considerable part of physical cross-border transmission capacities is used by unscheduled flows. As a result, much of the physical cross-border flows do not have to compete for access to cross-border capacity, and are thus treated preferentially. In addition, when setting the transmission capacity available for commercial trade, TSOs have to consider the existence of unscheduled power flows, resulting in the need for greater reliability margins, and consequently, less cross-border capacity available for market participants.
- Unscheduled flows reduce system security. TSOs are often forced to apply remedial measures, due to the high level of unscheduled power flows, that violate the security limits of the transmission system elements. Frequent application of such remedial measures, exposes TSOs to both the increased costs and risks of such activities.

In order to reduce unscheduled flows, some TSOs, for instance, in the CWE region, installed phaseshifting transformers (PST), enabling them to manage better the intermittency of cross-border flows on their borders. Power systems in CEE suffer from similar, often even more severe, problems caused by unscheduled flows, and consequently, some CEE TSOs have similar plans to implement PSTs. However, although PSTs are very effective and useful tools to improve system security, they should be considered as a technical solution to mitigate the problem, and not as a means to address its root causes. All TSOs, ENTSO-E, and ACER agree, that the best solution is to apply a more sophisticated methodology for calculation and allocation of cross-border transmission capacities, bringing the market as close to physics as possible, certainly much closer than the current practice. This opinion was reflected in the Capacity Allocation and Congestion Management Network Code (NC CACM) developed by ENTSO-E (a new community-wide binding EC Regulation), where flow-based capacity calculation is established as the tar-

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Implementation of Market Coupling in Europe: challenges and opportunities

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get model for the energy market in continental Europe. The Flow-Based Allocation method (FBA), in contrast to the currently used NTC method, is a mechanism that inherently ensures co-ordination, both during capacity calculation and allocation. It allows for a correct reflection of the relationships between all cross-border transactions and flows in the whole interconnected network, enabling direct consideration of the main technical limitations of the transmission system.

Implementation of the FBA, in connection with Market Coupling (the so-called 'Flow-Based Market Coupling'), is one of the cornerstones to the successful establishment of an efficiently-functioning EU electricity market. Only in this way, will one ensure a sufficient level of co-ordination, lack of market distortions, a level playing field for all market players, and secure electricity system operations. The presently-employed NTC approach, implemented at the beginning of market liberalisation, is not sufficient anymore to deal with the current challenges. The NTC approach served its purpose as a simple mechanism, allowing for a liberalised market to develop. However, increased volumes of cross-border trade, as well as an increased share of intermittent energy resources observed today, and expected in the future, require much more sophisticated solutions. In large meshed networks like continental Europe, creating an efficient market coupling mechanism, based on NTC, is impossible, as the interdependencies between flows on the different borders are simply too strong. The European market coupling mechanism must take these interdependencies into account in a co-ordinated way, reflecting as correctly as possible, the expected physical effects of transactions, concluded by market participants on power flows.

Application of the market coupling mechanism in a large geographical area based on the NTC scheme (the socalled 'NTC Market Coupling'), will cause further divergence of commercial trades and physical flows, increasing unscheduled flows with all their negative consequences. It is important to note that in the absence of the FBA, the same features rendering market coupling as a very efficient mechanism, matching the most economic demand and supply offers from across Europe, will make market coupling automatically exploit all the theoretical possibilities of commercial transaction paths, thus exacerbating the divergence between commercial trade and physical flows. If the market coupling mechanism is not based on the FBA, but on NTC, it will not be able to show that transactions conducted between two countries create power flows in a third country. Insufficient co-ordination results, therefore, in an excessive level of unscheduled flows, forming a major threat to the completion of the Internal Energy Market.

The effectiveness of the FBA mechanism requires appropriate design and implementation. In zonal markets, such as the European one, the FBA co-ordinates transactions between the bidding zones (market areas). This means that the FBA is able to fulfil its role as the co-ordination mechanism for cross-border trade, only if transactions concluded within these bidding zones, entail no or little impact on power flows outside of them. So, bidding zones must be adequately designed. The process of assessing existing and newly-designed bidding zones, foreseen in the NC CACM, has already been initiated, thanks to a broad consensus of stakeholders from the electricity sector, even though the Network Code is not yet approved.

To summarise , it should be emphasised that the FBA Market Coupling mechanism with adequately designed bidding zones, is the only mechanism known today, which will ensure that the technical characteristics of the European interconnected power systems are duly taken into account in market processes, and that the transactions concluded by market participants are technically feasible. In light of this, the mechanism should be implemented as soon as possible to reach its main goal, namely, the successful implementation of an integrated, common, European-wide electricity market.

Henryk Majchrzak,
PhD, President of the Management Board of PSE S.A.

Transatlantic Trade and Investment Partnership (TTIP) – Stakeholder event in Brussels on the 12th of March, 2014

1. Central Europe Energy Partners (CEEP) AISBL, is an organisation representing 22 energy and energy-intensive companies from 6 Central European countries, employing over 300,000 workers with a total revenue of more than 42 billion Euros.

2. Understanding the TTIP as:

2.1. a chance for further development of trade between the EU and the USA;
2.2. viewing their economies and treatment in trade relations equally, as well as investments.

3. Point 2 requires a through set of investigations, to give both parties the same competitive positions.

4. CEEP's view on:

4.1. CO_2 emissions

Major differences exist between the two economies concerning CO_2 emissions.
CO_2 emissions in the USA are equal to 17 metric tonnes per capita, whereas in the EU, they are 7.5 metric tonnes per capita. The USA, in order to reach the EU level, would have to decrease their emissions by 56%, immediately, which is realistically not possible to be done overnight. It means that adjustment or compensation measures are needed to address such a carbon gap between the USA and the EU. This should be defined in the TTIP.
4.2. The EU regulations (REACH and other)
The EU has very stringent regulations concerning chemicals (REACH), as well as other industrial regulations, which the USA's industry is not obliged to follow, and this gives it a privileged position over the EU's industry. USA-manufactured goods are not subject to similar regulatory constraints, and therefore, may easily outcompete EU-manufactured products.
4.3. Free access to energy markets and mineral resources
Parties should have free access to energy markets in both economies, which means that they shall have the right to buy energy carriers (for example: gas, coal, oil) on their counterpart's internal markets, without any restrictions and to export these to the EU. The same applies to mineral resources.
4.4. Bilateral safeguard clause
In cases when the above suggested mechanism does not stop expansion of mutual exports above a reasonable level, the parties shall have the right to increase their import duties, informing the other party of the reasons for their decisions. Such measures should be obligatory through the validity of the TTIP.

5. Possible consequences of not having an aligned partnership will be in investment leakage; see examples already happening:

5.1. A chemical industry based on gas as a raw material might be eradicated in the EU within 5-10 years, which would cause massive job losses. We are already witnessing a transfer of the chemical industry from the EU to the USA, and 53% of total investments in the States in the chemical industry are made by EU investors as we speak.

5.2. The Steel industry is a resource and energy-intensive sector. It is also a heavily- traded product globally. The EU's capacity utilisation rate is ca 70% and the output is shrinking.

A major US steel maker announced, last year, its move from the EU back to the USA, its decision being driven by energy and climate-related costs.

To wrap up, President Obama who had just visited a steel plant in Cleveland: „This plant, if it's located in Germany, energy costs are double, maybe triple; the same in Japan. So this gives us a big edge. [...] And if you're saving money on energy costs, that means you can invest in equipment, invest in workers, hire more people, produce more products".

'EQUAL OPPORTUNITIES MEAN FAIR COMPETITION'.

Sustainable Raw Materials Policy for the EU - up-coming changes for KGHM as a European leader in the production of copper and silver

Herbert Wirth

By Herbert Wirth

Key issues in the area of the European Union's energy policy, nowadays, are also amongst the most important problems that must be dealt with by Europe. Increasing dependence on imports, rising prices, and the need to protect the environment, determine the steps taken by the European Union. Current European policy aims at a reduction of CO_2 emissions, whilst increasing the share of renewable energy in total energy consumption. Such a policy can be a threat to energy-intensive industries in the European Union.

As a producer and leader in the raw materials market, KGHM belongs to this group of energy-intensive companies. Each year, KGHM consumes over 2.5 TWh of electricity. After the launch of new shafts and realization of the pyrometallurgy modernization program, energy consumption will increase to approximately 2.8 TWh per year. It should also be considered that KGHM consumes, annually, about 150 million m3 of gas (and starting from the year 2014, the figure will be 300 million m3), along with a significant amount of heat and fuels. The increase in the prices of energy carriers caused by the EU's strict climate policy, may affect the competitiveness of KGHM as a producer of silver and copper. In a negative scenario, that policy may well lower the company's position, economically. Therefore, from the standpoint of both the KGHM and energy-intensive industries in general, it seems necessary to take appropriate actions which may protect the energy-intensive industries, in order to avoid reducing their competitiveness, and in extreme cases, their economic collapse.

In the first place, it seems necessary to introduce the definition of 'energy-intensive companies' or 'energy-intensive industries', in the legislation of the EU's member states. Specifying such entities is required to support the application of the exemption from any, and all, taxes (e.g. excise duty). The definition contained in ART. 17 Directive 2003/96/EC seems to be a good first step, as it should be the basis for creating support systems for energy-intensive industries.
The next action should be to enable member states to create support systems for the above-mentioned 'companies' or 'intensive industries'. At present, attempts to create such support systems are effectively blocked by the European Commission, and are often and deliberately treated as forbidden State Aid. Compensating energy-intensive businesses for costs, directly and indirectly related to the purchase of CO_2 emission rights, is another way to reduce the risk of decreasing competitiveness in energy-intensive industries.

Similarly, any actions taken by energy-intensive companies that are associated with the development of green energy (wind, biomass, photovoltaic systems), and associated with increased energy efficiency, should also result in a reduction of direct and indirect costs of purchases of CO_2 emission rights.

Promoting the development of their own sources of power generation by energy-intensive industries, should also be an important activity. The incentive for such actions could be a reimbursement system, for supporting the power solution, as well as a cost reduction of its expansion. Adopting the above-mentioned activities, would reduce the adverse aspects of EU energy policy for the energy-intensive sector, and could boost the dynamic growth of its companies.

Herbert Wirth, *President and CEO, KGHM*

THE ECONOMIC WEIMAR TRIANGLE CONFERENCE – KRAKÓW, 6TH-7TH FEBRUARY, 2014

President Komorowski: people can live without ideology – not without electricity

Agnieszka Kowalczyk

By Agnieszka Kowalczyk

The Economic Weimar Triangle Conference met on the 6th - 7th of February in Kraków. Representatives of Poland, Germany, and France discussed to find common ground on the EU's policy and goals, in relation to the energy sector.

The conference was honoured by the presence of distinguished guests: Mr. Bronisław Komorowski, the President of the Republic of Poland; Mr. Janusz Piechociński, Deputy Prime Minister and the Minister of the Economy; Sigmar Gabriel, Vice-Chancellor of Germany and the Federal Minister of Economics and Energy; and Arnaud Montebourg, Minister of Industrial Renewal, France and Prof. Jerzy Buzek, a Member of the European Parliament.

The speakers focused on the new challenges for Europe, and they discussed the means by which the EU economy would recover and develop. The main issue discussed during the conference was how to collaborate with EU countries, in order to build a strong, competitive economy. They tried to give recommendations for short- and long-term action towards a European market for a sustainable policy framework.

Current situation of the European economy

Almost every panelist paid attention to the current difficult situation of the EU economy, taking into account, decreasing competitiveness in comparison to the USA and China. One of the main factors reducing competitive edge were high energy prices. Some of the major factors preventing the EU from really reaching its objectives, such as security of supply, affordability, and sustainability, are: the economic crisis, which created an oversupply situation; the fast deployment of intermittent renewables (wind and solar), that are subsidised "out of the market", and granted priority dispatch, which exacerbates the over-capacity situation; and the shale gas revolution in the US, which put coal back into the centre of the European stage.

The role of industry in aiding the European economy recovery

One term which was very popular at the conference was 'reindustrialisation'. Previous years have shown that the European idea of reducing concern with industry, whilst favouring and supporting the service sector, was successful during the economic boom. However, the situation changed dramatically after the economic crisis. The example of the US has revealed that its' economy recovered much faster than the European economies, and one factor behind this success is a well-developed industry. So, nowadays, we have to draw conclusions from the US case, and in order to bring back the vitality of national, European economies, it is necessary to stream the national resources for the purpose of re-establishing industries.

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President Komorowski: people can live without ideology – not without electricity

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Open, integrated electricity market

According to Prof. Jerzy Buzek, we must create a well-integrated, open, well-regulated and competitive internal energy market to avoid the dilemma of choosing between 'energy poverty' and 'social poverty'. The challenge is more than urgent.

Economic growth requires energy and European competitiveness depends on the price of energy.

Mr. Paweł Olechnowicz, the Chairman of CEEP's Board of Directors, said that he was optimistic and he believed that the construction of an integrated and liberalised electricity market should be one of the cornerstones of the EU's energy strategy. The greater competition prompted by liberalisation will lower electricity prices for end-users.

The role of political regulations in the energy sector

Frankly speaking, the role of governments and regulations is very important in the energy sector, due to its strategic nature, and regulations, along with a balanced kind of state control, regarding the general framework of this sector's activity, are necessary.

One of the challenges for governments is to create an appropriate environment to attract private investment and to implement policy decisions and resolve political conflicts through the legislative and regulatory process.

Legislation should help remove legal, economic and social barriers to investments in both new technologies and in specific market sectors. It should provide a framework for the ownership and financing of infrastructure improvements and provide incentives to encourage greater investment and the use of goods with public interest benefits. Clear, legal and regulatory guidelines contribute to a stable and predictable market, within which, the financial community - both domestic as well as international - feels comfortable in investing.

Innovations as a factor of economic growth

All the speakers agreed that innovation is considered as a major force in economic growth. That is the common ground for co-operation between EU countries. So, the new challenge for EU countries is to reinforce R&D co-operation concerning the technologies which have not yet reached maturity. We have to remember, that even if research does eventually lead to a new, valuable product concept, basic question remains to be addressed: how well will the new product perform, not only technologically, but in economic terms? The important thing is to merge science and a practical economic attitude.

In brief, the conference main message was, that we must be competitive in order to move forward from the economic crisis. EU capabilities to compete depends on the condition of the energy sector and energy prices. Governments are important in helping the recovery of the EU economy, and can support the process by implementing adequate, well-prepared regulations. If we want to be competitive, we have also to take advantage of innovations in the energy sector.

Agnieszka Kowalczyk,
Coordinator in the International Relations Department of Grupa LOTOS S.A., Poland

CEEP REPORT published by:

CENTRAL EUROPE ENERGY PARTNERS, AISBL
RUE FROISSART 123-133,
1040 BRUSSELS, BELGIUM

BRUSSELS@CEEP.BE
TEL: +32 28 80 7297
FAX: +32 28 80 7077