

# Making the internal energy market work

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The Committee on Industry, Research and Energy adopted the own-initiative report by Jerzy BUZEK (EPP, PL) on making the internal energy market work in response to the Commission communication on the same subject.

Members recall that Member States have committed themselves to clear deadlines for the completion of the **internal energy market by 2014** and for doing away with the EU's 'energy islands' by 2015. They consider that a completed internal energy market is indispensable for the Union's overall energy security and sustainability, and is of **essential value for the Union's global competitiveness, economic growth and the creation of new jobs in the EU**. Moreover, a single energy market will empower the Union to speak with one voice vis-à-vis external partners.

The report broadly welcomes the Commission's Communication and the accompanying Action Plan. It recognises the European added value of better energy policy coordination and cooperation among the Member States, in a spirit of solidarity. It recalls its **support for the creation of a European Energy Community** between the Member States, and asks the Commission and the European Council to report on the progress towards its creation.

**Consumer-oriented market:** Members support a **user-friendly and transparent internal energy market**. Consumers must be duly protected, and accurately informed with easy access to information, so that they are able to exercise their rights fully, while encouraged to play a more active role in stimulating market competition, moving from passive service recipients to active informed consumers and prosumers.

In addition, the report emphasises the importance of ensuring a **competitive, easily managed and transparent energy market** that offers real choice and competing prices to consumers as well as provides all present and future EU energy consumers with **safe, sustainable, affordable and reliable ways of generating energy**.

Members draw attention to the advantage of applying variable network-use charges and believe that **smart technologies** must deliver accurate, understandable and user-friendly information to consumers, and must empower them to manage their energy consumption and production. Mechanisms should be put in place to **protect vulnerable consumers**.

**Current challenges:** Members believe that the **lack of full implementation of internal energy market legislation** remains one of the main obstacles for the completion of this market.

Moreover, they stress that **modernising the existing energy infrastructure**, and building new, intelligent and flexible generation, transmission, distribution and storage infrastructures is essential for a stable, well-integrated and well-connected energy market. They believe that investment in infrastructure needs to be encouraged through a **stable, innovation-friendly and predictable regulatory framework** that does not impede the functioning of the internal market.

Members call for studies exploring the possibility of establishing a **European fund for investment in energy networks**, financed by a compulsory European levy on energy consumption on the territory of the European Union, that could provide such public funding.

The report stresses that, without prejudice either to the Member States' right to choose their energy mix or to the need for increased EU-wide coordination, the EU as a whole must make **full use of the potential of all sustainable energy sources** that are at the disposal of the Member States.

Lastly, it insists on the need to tackle the anticipated growth of gas and electricity imports from third countries to the EU in the short- and medium-term, with view of **ensuring security of energy supply**, burden-sharing and a fair functioning of the internal market.

**Urgent actions are needed:** with a view to creating a well-integrated, open and well-regulated, and competitive internal energy market, Members call on the Member States to **transpose and implement fully all relevant EU legislation**, in particular the third energy package, as a matter of urgency. The Commission is urged to take action against those Member States in which implementation has been unduly delayed.

The Commission and the Member States are called upon to:

- **revise the indicators** used to measure the degree of competition in energy markets, and to include indicators such as the proportion of consumers on the cheapest tariffs, the ability of new companies to enter the market, and the levels of customer service and innovation, all of which will help provide a real picture of the level of competition on the market;
- **coordinate infrastructure projects** and plan network development jointly, thereby ensuring full, EU-wide system connectivity and cost-effectiveness;
- conduct a **fresh review of existing plans** for energy projects, especially for the construction of new liquefied natural gas terminals scheduled to take more than ten years to complete;
- put in place an efficient **congestion management system** in order to foster the efficient use of existing gas and electricity transmission capacity, reducing the cost of expanding network capabilities, and facilitate the increased connection of renewable generation sources to the electricity network;
- refrain, as soon as possible, from using **price caps** or regulated energy retail prices set, at national level, below the cost incurred;
- **review state aid rules** in relation to national energy efficiency measures and to energy projects co-financed under the cohesion policy, in order to ensure that more of these actions are eligible for state funding, leading to more completed projects;
- with regard to the **internal electricity market**, urgently to provide a thorough analysis of the system adequacy and flexibility of national generation capacities in the short and long term;
- with regard to the **internal gas market**, review all gas contracts based on obsolete pricing mechanisms – in particular the oil indexation principle – that impose high prices on the consumers;
- provide **incentives**, and to support regional initiatives and partnerships, aiming at closer market integration,
- **increase political and financial support** to the Energy Community and to take further measures to support the extension of internal market rules to South-East and Eastern Europe;

The report draws attention to the **external dimension** of the energy market, the aim of which is to make it easier for all Member States to gain access to diversified energy sources. It calls on the Commission, in coordination with the European External Action Service, to use its foreign policy instruments to **promote the rules and standards of the internal energy market** in relation to third countries.

**Future energy and climate challenges:** the report calls on the Member States, the Commission and the relevant stakeholders to convert the necessary supporting schemes for all power generators into

**transparent, predictable, convergent and market-driven mechanisms**, as soon as it is feasible, in order to create a common market for requested support features – such as energy efficiency, prosumers, cogeneration, flexibility, renewables, and grid support services – in a way that ensures their compatibility.

Lastly, the Commission is asked to **continue to use regional development, cohesion and other EU structural funds** to support the creation of smart gas and power grids in the next period.