

# Prospects for the internal gas and electricity market

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The Committee on Industry, Research and Energy adopted the initiative report by Alejo Vidal-QUADRAS (EPP-ED, ES) on the prospects for the internal gas and electricity market.

**Transmission unbundling:** the committee considers transmission ownership unbundling to be the most effective tool to promote investments in infrastructures in a non-discriminatory way, fair access to the grid for new entrants and transparency in the market. It underlines however that this model might not address all of the issues at stake such as interconnections or congestion points. It recognises that the application of further unbundling measures for the gas sector is not straightforward and therefore urges the development of specific solutions to enable this sector to achieve the completion of the internal gas market, taking into account the differences between the upstream and downstream markets. The Commission is called upon to come forward with a balanced proposal allowing EU gas companies to use pipeline investments and long-term contracts in order to raise their negotiating power vis-à-vis third countries. MEPs insist that no third country company should be allowed to purchase energy infrastructure unless there is reciprocity with that country.

**Regulators:** the report welcomes the Commission's proposal to enhance cooperation between national regulators at EU level, through an EU entity, as a way to promote a more European approach to regulation on cross-border issues. According to the report, national regulators should : (a) remain the only authority responsible for decisions affecting their national market only; (b) ensure that any company owning energy infrastructure, and in particular transmission networks or pipelines, undertakes to meet clearly set down investment targets in order to avoid speculation in this area; (c) be independent, strong and have well-defined competences in order to ensure the law is fully implemented in practice and is adhered to by market players and that the necessary investments and transparency levels are in place; (d) be given the role of penalising an operator who does not respect their decisions or a transmission operator who fails to meet his network maintenance obligations, of ensuring that energy companies have a statutory obligation to give energy saving advice to customers.

**Regulated tariffs:** Member States are urged to gradually end the application of generalised regulated tariffs, whilst ensuring that there are adequate measures to protect vulnerable customers, particularly in terms of fuel poverty, including non-market based mechanisms. MEPs consider that subsidies for non-renewable sources of energy should be eliminated thereby ensuring a level playing field, that external environmental costs should be internalised in the price of energy and that market-based instruments should be used to achieve environmental and energy policy objectives. The report notes that targeted high-standard universal service obligations and public service obligations should comply with State aid rules and that competition law applies with respect to price discrimination and restrictions on re-sale.

**Social impact and consumer protection:** the Commission is invited to present full impact assessments including the evaluation of the social effects of its different proposals and to support the industries in developing mechanisms for training and redeployment. It should present its proposal for an Energy Consumers' Charter by the end of 2007.

**Interconnections:** while welcoming the indicative objective of achieving interconnection levels of 10% in Member States, the committee calls on Member States to increase their efforts, including through the strengthening of bilateral cooperation, to remove technical, administrative and political barriers to the completion of existing and upcoming projects, in particular the four projects identified by the Commission

as projects of EU interest. Member States are asked to facilitate authorisation procedures for the building of interconnection lines and to limit the duration of the procedures. It reaffirms the need to increase the budget allocated to trans-European energy networks for, in particular, removing environmental obstacles. It calls on the Commission to accelerate the appointment of EU coordinators for projects of EU interest which are experiencing problems with implementation.

**Long-term contracts:** MEPs recognises that upstream long-term contracts, in particular in the gas sector, are necessary to provide a positive investment climate, contribute significantly to security of supply and do not harm the integration of the internal energy market, provided that new entrants are not excluded. They request the Commission to propose a definition of what constitutes a high energy user and request the Commission to give special consideration to high energy users in the EU that are competing in the global economy. The Commission is also asked to provide clear guidance on downstream bilateral long-term contracts in order to reduce uncertainty in the market and to move towards standardisation of contracts.

**Electricity grid and gas networks:** the committee reiterates its concern over the investment needs in the upgrading of the electricity grid and gas networks to ensure the security of supply in EU and insists on the stability, coherence and transparency of the regulatory framework in order to create an investment-friendly environment and therefore calls for the development of such a regulatory framework for the shared benefit of EU consumers and businesses. It emphasises the need for technical harmonisation of European networks.

**Strategic stocks:** MEPs agree with the Commission's assessment that, in relation to gas, considering the present technology, it is better to diversify supply routes and technologies, such as degasification plants and liquefied natural gas terminals, than to create massive gas stocks. They invite the Commission to make a concrete proposal for making better use of existing gas stocks without disturbing the balance between security of supply and favouring new market entrants.

Transparency: the Commission is urged to put forward concrete proposals on how to enhance transparency for consumers; to make consumer information complete and clear (including the various tariffs available, the company's energy mix and other useful information such as labelling as defined in Directive 2003/54/EC), and to strengthen the role of consumer organisations in the EU energy market.

**Implementation of EC legislation:** concerned at the number of Member States who are still to transpose Directives 2003/54/EC and 2003/55/EC and those who have failed to implement them properly. The committee calls on Member States to transpose and fully implement these directives without delay. It reiterates the importance of achieving a fully liberalised European energy market as soon as possible and insists on the Commission presenting its package of additional measures for the internal market in late September 2007. The Commission is urged to closely supervise the impact of concentration on competition, both at national and at European level, taking also into consideration the current consolidation process that is giving rise to new, large, multinational energy undertakings active in a significant number of Member States and with a high degree of vertical and gas-electricity integration. National governments are called upon to stop the promotion of the so-called national champions and to refrain from passing protectionist legislation preventing the development of a truly integrated European energy market.