Basic information

2013/2005(INI) INI - Own-initiative procedure	Procedure completed
Making the internal energy market work **Subject** 2.60 Competition 3.40.14 Industrial competitiveness 3.60.03 Gas, electricity, natural gas, biogas 3.60.05 Alternative and renewable energies 3.60.06 Trans-European energy networks 3.60.08 Energy efficiency 3.60.10 Security of energy supply 3.60.15 Cooperation and agreements for energy 3.70.03 Climate policy, climate change, ozone layer 4.60.06 Consumers' economic and legal interests 5.05 Economic growth 6.20 Common commercial policy in general	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	BUZEK Jerzy (PPE)	12/12/2012
	Shadow rapporteur MERKIES Judith A. (S&D) ROHDE Jens (ALDE) TURMES Claude (Verts/ALE) SZYMAŃSKI Konrad (ECR) ZUBER Inês Cristina (GUE/NGL) TZAVELA Niki (EFD)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
INTA International Trade	The committee decided not to give an opinion.	
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	

ENVI	Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
IMCO	Internal Market and Consumer Protection	CORREIA DE CAMPOS António Fernando (S&D)	18/12/2012
REGI	Regional Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Transport, Telecommunications and Energy	3243	2013-06-06
Transport, Telecommunications and Energy	3224	2013-02-22

European Commission

Commission DG	Commissioner
Energy	OETTINGER Günther

Key events

Date	Event	Reference	Summary
15/11/2012	Non-legislative basic document published	COM(2012)0663	Summary
17/01/2013	Committee referral announced in Parliament		
22/02/2013	Debate in Council		
06/06/2013	Debate in Council		
20/06/2013	Vote in committee		
16/07/2013	Committee report tabled for plenary	A7-0262/2013	Summary
09/09/2013	Debate in Parliament		
10/09/2013	Decision by Parliament	T7-0344/2013	Summary
10/09/2013	Results of vote in Parliament		
10/09/2013	End of procedure in Parliament		

Technical information

Procedure reference	2013/2005(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55

Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/7/11365

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE506.370	28/03/2013	
Amendments tabled in committee		PE510.685	08/05/2013	
Amendments tabled in committee		PE510.735	08/05/2013	
Committee opinion	IMCO	PE507.948	30/05/2013	
Committee report tabled for plenary, single reading		A7-0262/2013	16/07/2013	Summary
Text adopted by Parliament, single reading		T7-0344/2013	10/09/2013	Summary

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2012)0663	15/11/2012	Summary

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	CZ_CHAMBER	COM(2012)0663	16/04/2013	
Contribution	RO_CHAMBER	COM(2012)0663	17/05/2013	
Contribution	CZ_SENATE	COM(2012)0663	16/07/2013	

Making the internal energy market work

2013/2005(INI) - 15/11/2012 - Non-legislative basic document

PURPOSE: to set out an Action Plan on making the internal energy market work.

CONTENT: this communication recalls the benefits of integrated European energy markets and sets out ways to ensure that the market fulfils its potential as soon as possible and satisfies the needs and expectations of the EU's citizens and businesses. This initiative has been identified as one of the 12 priority actions under the Communication "Single Market Act II – Together for new growth. In spite of the progress made in the last few years in the functioning of the market, further efforts are needed to integrate the markets, improve competition and deal with new challenges.

As underlined by the Commission's Energy Roadmap 2050, **Europe's energy networks and systems and opening up energy markets further** are essential in making the transition to a low-carbon economy and maintaining secure supplies at the lowest possible cost. It stressed the need to:

- invest urgently in generation, transmission and distribution infrastructure, as well as storage. Existing energy systems need to be modernised, at a cost estimated at EUR 1000 billion);
- encourage more efficiency measures, stimulate fair competition, and empower consumers to take an active role and fully exercise their rights and choices.

Accordingly, the **European Heads of State or Government set a clear deadline of 2014 for completion of the internal energy market.**

By 2014 the existing legislation needs to be implemented in full. Cross-border markets for gas and electricity must be up and running in all parts of the EU and the implementation of plans to complete, modernise and smarten EU grids must be well under way. **Today the EU is not on track to meet this deadline:**

- the generation market is still highly concentrated. In eight Member States more than 80% of power generation is still controlled by the historic incumbent;
- energy markets in general are perceived not to be transparent or sufficiently open for newcomers, including demand-side service providers;
- economically rational investments in energy efficiency are not being made – or at least not enough;
- consumer satisfaction is low even in Member States that today have fairly competitive energy markets.

Challenges to be met: although the benefits of a well-functioning internal energy market are becoming progressively visible, there are challenges that need to be tackled urgently in order to complete the internal energy market by 2014.

(1) Implement internal market legislation and actively enforce competition rules: the architecture for the internal energy market is laid out in the Third energy package. The building blocks are there but they must be implemented effectively for the internal energy market to work.

The Commission is pursuing, as a matter of priority, infringement procedures against those Member States that have not yet fully transposed the Third energy package Directives or have failed to do so correctly. It intends to provide regular updates on the state of implementation of internal energy market legislation in individual Member States and on the infringement procedures.

Furthermore, the Commission:

- will enforce competition rules to ensure that all companies in the market are treated equally and that a level playing field is established and maintained;
- will press public authorities ensuring that concessions (e.g. for hydro power generation facilities, storage facilities or the operation of distribution grids), are awarded in full compliance with Treaty principles and EU legislation;
- will promote regional initiatives to help set up additional regional gas hubs and power exchanges, and reach the target of full market coupling in electricity across the EU as soon as possible.

Member States, for their part, must **stimulate competition by developing infrastructure**, in particular in support of cross-border activity, and eliminating market entry barriers.

(2) Help consumers take advantage of opportunities afforded by the internal market: currently, SMEs and households are more passive than large industrial customers and are therefore losing out as available price differentials remain unexploited.

In this area, the challenges are: i) enabling the **delivery of diverse and innovative services** to consumers; ii) ensuring targeted assistance to give vulnerable consumers better protection.

The Commission feels that timely deployment of **smart meters** as set out in the EU acquis can trigger demand-response and other innovative and smart services.

However, at present, **price regulation in many Member States prevents suppliers from offering attractive services** and tailor-made and dynamic pricing schemes. It discourages new entrants that could challenge the incumbents. In some Member States prices are even regulated by the State for some or all customer groups at levels below market costs. It is clear that such a situation is not conducive to the development of a competitive market and is economically unsustainable.

A recent European Court of Justice ruling states that price regulation can be compatible with EU law only under strictly defined circumstances.

In these circumstances, the Commission intends:

- to insist on **phase-out timetables for regulated prices** being part of Member States' structural reforms;
- to promote market-based price formation in retail markets, including through infringement cases against those Member States maintaining price regulation that is not meeting the conditions laid down by EU law;
- to support Member States in defining what is meant by and what causes energy consumers' vulnerability by providing guidance and facilitating the exchange of best practice.

(3) Making Europe's energy systems fit for the future: energy systems are in the early phase of a major transition. Significant investments are needed to replace the EU's ageing systems, decarbonize them and make them energy-efficient and increase security of supply. The internal energy market can help the EU make the transition. However, **the system change cannot take place without a properly integrated, modern infrastructure.** The Commission will act on several issues:

- Wholesale markets: the Commission considers that properly functioning long-term and short-term wholesale markets, which reflect the economic value of power at each point in time in each area can steer investments to where they are most efficient.

The Commission will ensure the **further development of well-functioning, cross-border, wholesale markets in all timeframes** by developing network codes. These codes will establish common rules to enable network operators, generators, suppliers and consumers to operate more effectively within the market.

- Security of supply in electricity: some Member States have introduced or plan to introduce separate payments for the market availability of generation capacity, as they are concerned that the 'energy only' market will not deliver sufficient investment in generation to ensure security of supply in the longer term.

The Commission is of the view that if capacity mechanisms are not well designed and/or are introduced prematurely or without proper co-ordination at EU level, they risk being counterproductive, since they will tend to distort investment signals. Accordingly, before introducing such mechanisms, Member States should: (i) **carry out a full analysis of whether there is a lack of investment in generation, and why;** (ii) seek cross-border solutions to any problems they find before planning to intervene.

- Steering the energy mix to low carbon*:* currently, Member States use various forms of direct or indirect state support and/or surcharges on consumers' bills for a range of energy sources. Assuming further progress in completing the internal energy market, falling production costs, and evolution in the carbon market, all forms of support mechanisms need to be regularly reviewed.

The Commission will **issue guidance on best practice and experience gained in renewable energy support schemes and on support scheme reform**.

- More integration, faster modernisation and better use of grids: serious investment in energy networks is needed to enable certain areas of the EU to emerge from isolation and to achieve our Europe 2020 targets. In October 2011, the Commission tabled a proposal for a Regulation on "Guidelines for trans- European energy infrastructure." The adoption and swift implementation of the energy infrastructure packet is essentia as acknowledged by the European Council on 9 December 2011.

Lastly, with the growing need for flexibility and energy efficiency and to accommodate distributed generation and demand-side participation, co-ordinated action is needed with a view to the **deployment of smart grids at European, regional and municipal levels.**

The Commission intends to: (i) further support R&D and innovation to facilitate the deployment of smart grids; (ii) promote pro-competitive co-operation between the energy and the ICT sector, including innovative service providers for advancing the modernisation of grids and accelerating innovation in the energy sector.

Making the internal energy market work

2013/2005(INI) - 16/07/2013 - Committee report tabled for plenary, single reading

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.

Making the internal energy market work

2013/2005(INI) - 10/09/2013 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on making the internal energy market work in response to the Commission communication on the same subject.

Parliament recalls 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. It considers 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**.

Acknowledging that the trend of rising energy prices is likely to continue, the resolution stresses that the development of indigenous resources will lead to the emergence of new trading hubs in the EU and new spot markets for gas and electricity, thus presenting a real opportunity for the EU and the Member States to determine their own energy prices, including at a regional and local level.

Parliament 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: Parliament believes that the **lack of full implementation of internal energy market legislation** remains one of the main obstacles for the completion of this market.

Moreover, it stresses 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. It believes 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.

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;
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- 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;
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- 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 resolution draws attention to the **external dimension** of the energy market. It calls on the Commission to use its foreign policy instruments to **promote the rules and standards of the internal energy market** in relation to third countries.

In this context, the future EU-US Free Trade Agreement should include a chapter focused on such energy matters as could affect the internal market.

Future energy and climate challenges: Parliament 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.