



# How can we provide certainty to investors and stimulate investment in low carbon technologies ?

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**DG Energy, Unit B2 Wholesale markets :  
electricity and gas**

**Paris, December 18th, 2013**

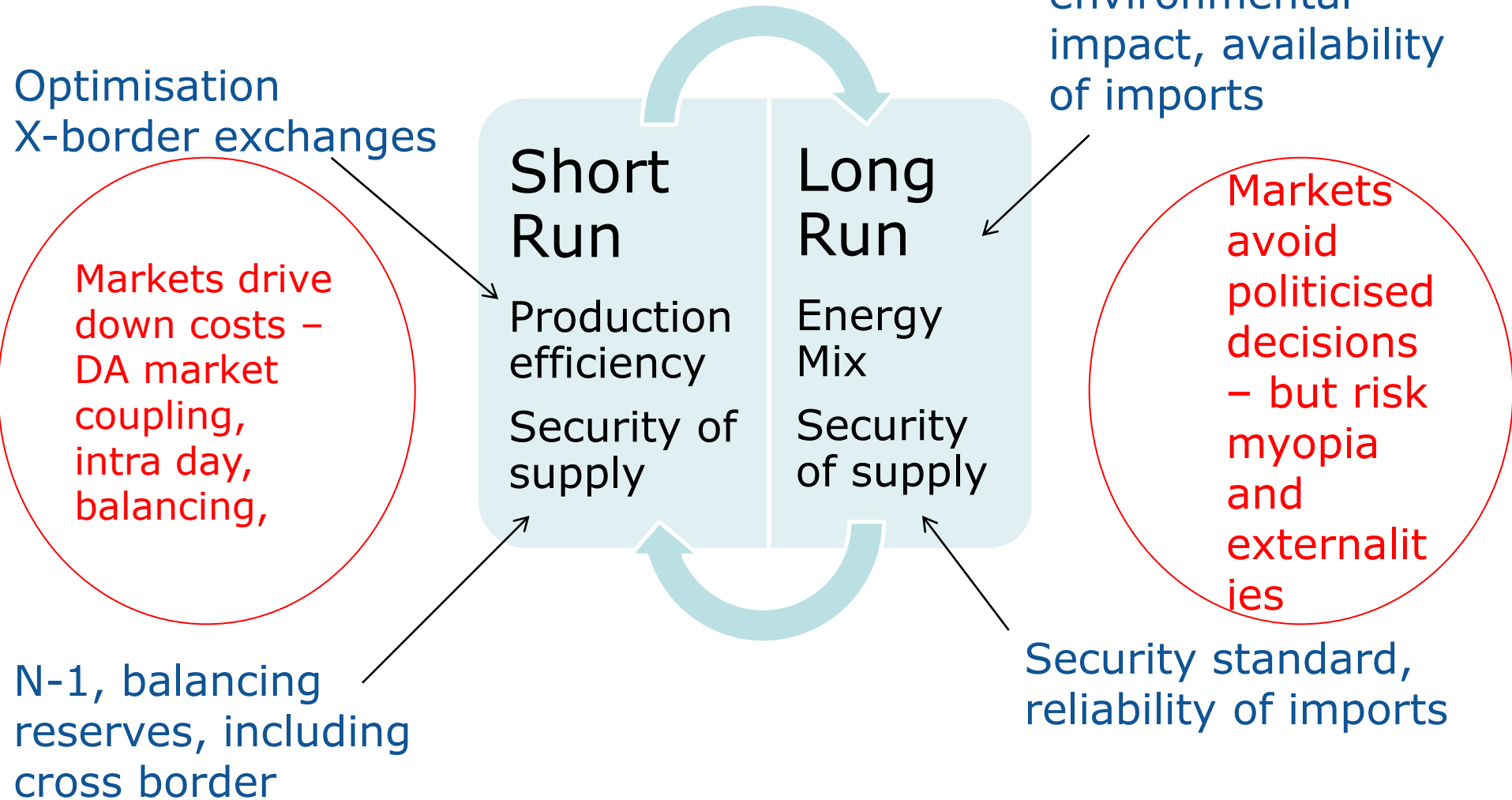
# Why did we liberalize power production ?

- **Operational inefficiencies**
- **Problems of market power**
- **Poor transparency (e.g. cross-subsidies)**
- **Poor customer services**

## Additional reasons :

- **Integration of centralized and decentralized RES**
- **Tap into the potential of demand-side management**

# Which market design ?



# EU policy initiatives

Network codes  
under  
preparation

TSO operational rules

Market coupling

Generation  
adequacy  
assessment  
PSO rules  
State aid rules

IEM - Level playing  
field – framework for  
public interventions

# **Liberalisation puts pressure on utilities**

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- **Sweating assets**
- **Reducing excess workforce**
- **Need for more efficient capital structure**
- **Competitive pressure to pick best technology**
- **Competitive pressure to find best location**
- **Transfer of risk to investor from consumer**
- **Exacerbated by economic and financial crisis**
- **Impact of RES on wholesale prices**

# Who invests in new generation ?

*Utilities, portfolio of generation technologies and supply*

- **Traditional approach in Europe**
- **But balance sheets of utilities under pressure**

*Merchant generators sell to generator who are short*

- **More common in US, examples in GB (Drax) and BG**

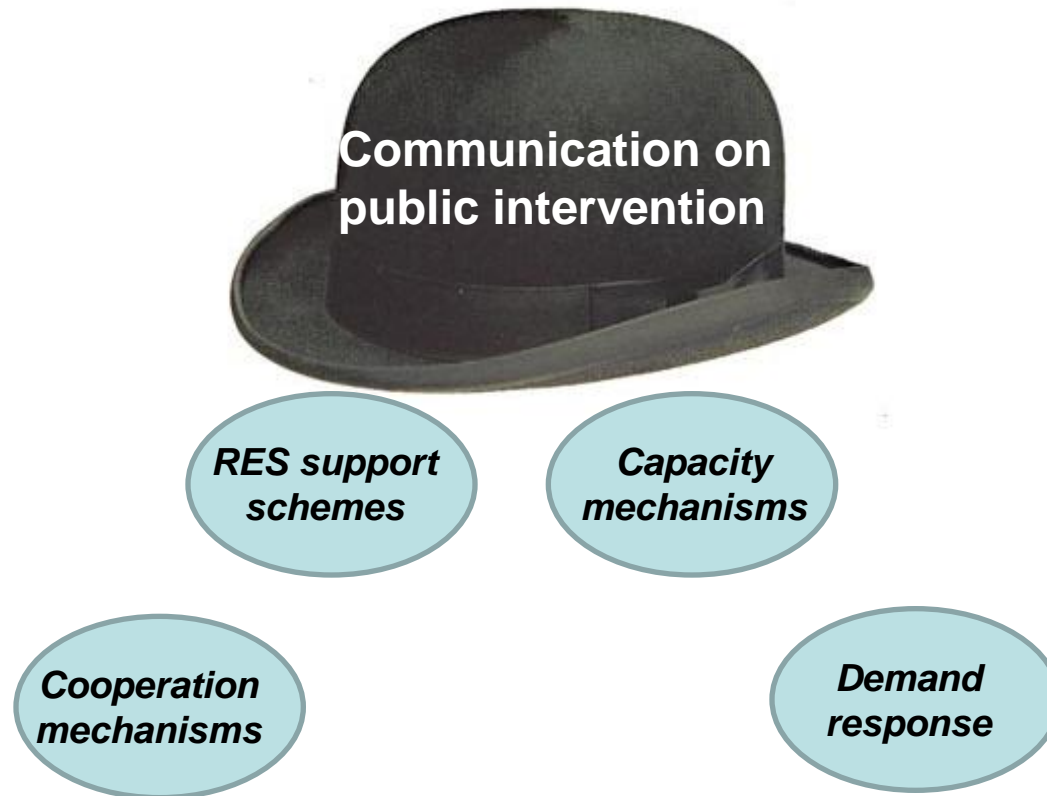
*Investors in publicly supported generation*

- **RES everywhere, New nuclear in GB...**

# Key questions :

- 1. Sport markets v. long-term contracts**
- 2. Markets v. public intervention**

# The November package on State intervention





# Principles for efficient public interventions :

1. Let markets work!
2. Identifying a specific problem and its cause
3. Assessing potential interplay with other policy objectives – holistic approach
4. Evaluating alternative instruments promoting market based solutions, including European options
5. Encourage changes in consumer behaviour
6. Minimising impacts on operating of electricity systems
7. Keeping costs low (competition of technologies and of suppliers, potential of other Member States)
8. Considering the impact on costs of consumers
9. Monitoring, evaluation and phasing out



# Thank you for your attention!



Energy