What public support for a New European Energy Union?
A debate on the current State aid rules and policy

Date & time  Venue
Monday 2 March 2015, h. 14:30-18:00 The Great Hall, King’s Building
King’s College London
Strand | London | WC2R 2LS

Introduction

Energy in Europe is expensive. This works against the international competitiveness of its industry. Europe is dependent on foreign imports, which puts security of supply at the centre of the EU’s and of many Member States’ agenda. Significant obstacles to an interconnected and integrated cross-border European energy market persist and certain Member States will continue to remain isolated beyond 2015.

The European Council has repeatedly called for increased efforts to reduce Europe’s high energy dependency and to further implement and integrate the European energy market. A New European Energy Union is one of the European Commission’s 10 priorities. In parallel, many Member States are reforming their energy policies. All these actions entail public interventions in the market.

The Centre of European Law of the King’s College Dickson Poon School of Law and the College of Europe of Bruges through its research centre in Competition Law (the Global Competition Law Centre) are coordinating a research project into the specific questions raised by public support measures to the energy market.

As a first step, this Conference is aimed at identifying the existing challenges and the adequacy - or not - of the current EU State aid guidelines on energy and environment (so-called EEAG) to steer public interventions, by gathering high-level experts and stakeholders in the sector.

The project aims at producing a number of issue-papers and recommendations to be presented at a closing general conference to be held at the College of Europe in Bruges in one year’s time.
Session 1 - Which generation-mix and what costs for the public pursue: nuclear, coal, gas, or RES?

Under the EU Treaty, Member States have the right to choose their energy mix. State aid has traditionally been used to finance fossil fuels’ generation. Since 2008, the EU climate change targets have strongly incentivised the expansion of renewable energy sources (RES) and public support has been key for their remarkable development. Some Member States are also granting aid for nuclear electricity generation in order to meet decarbonisation and security of supply needs.

However, the way these different energies sources have been supported is a cause of concern under several aspects: overcompensation of producers, distortions of competition and fragmentation of the internal market. Moreover, the current geopolitical situation raises concerns about security of supply in Europe while the ability of certain Member States to ensure sufficient electricity generation is worsening due to decreasing levels of investment and the phasing-out of older power plants.

The 2014 EEAG make the criteria to support renewables more stringent and market oriented; re-affirm the intention to phase out environmentally or economically harmful subsidies, including for fossil fuels; but do not include any rule on aid to nuclear energy.

Are these norms sufficient to steer investment in energy generation towards security of supply?

Chair: Gert Jan Koopman – European Commission, Vice-director General State Aid DG COMP

Speakers: Seb Dance – Member of the European Parliament

Mike Kirst – Westinghouse Electric Company, Vice President for Strategy and External Affairs EMEA

Fabio Marchetti* – ENI, Vice President, Head of Government Affairs

Agostino Re Rebaudengo – assoRinnovabili, President

Georg Zachmann – Bruegel, Research Fellow

Q&A
Session 2 - Interconnections and infrastructure v. capacity mechanisms  [1h]

The European Council has underlined the need to further develop the Union energy infrastructure and to better interconnect networks across Member States. Governments are however increasingly worried about the adequacy of energy generation to meet current and future demand and therefore still resort to national measures. Among these, capacity mechanisms are more and more used to ensure building of new generation or maintenance of existing plants.

While Smart grids, integrated renewable energy sources, diversification of energy supply could all help ensuring an adequate level of security of supply and thus address capacity issues, capacity mechanisms reserve generation capacity to few pre-determined actors, including generation based on fossil fuels, and lead to higher fragmentation of the internal market. Both are financed also through public resources and have therefore the potential to introduce further distortion in the energy market.

The 2014 EEAG include for the first time compatibility criteria both for the financing of energy infrastructure and for capacity markets. Are these norms adequate and sufficient or are there issues still to be addressed?

Chair: Massimo Merola – College of Europe, GCLC

Speakers: Hans Martens – European Policy Center, Senior Advisor for Energy

Klaus-Dieter Borchardt – European Commission, DG ENER
Director Internal Energy Market

Mr. Juan José Alba Rios – ENDESA, Head of Regulatory Affairs

Martin Crouch – Ofgem & ACER/CEER Electricity working group, co-chair

Q&A

Coffee break [20’]

Roundtable - How to ensure Europe international competitiveness? [1h]

Energy is a key component of many industrial processes. The cost of energy therefore affects heavily Europe’s international competitiveness.
The 2014 EEAG support the objective of partially relieving energy intensive users from financing renewable energy generation to ensure the international competitiveness of the EU industry.

But is this the most efficient way to support our industry with public resources? And will this allow the international competitiveness of the European industry or only fuel a subsidy-race among Member States?

Chair: 
Elisabetta Righini – King’s College

Participants: 
Daniel Calleja* – European Commission,
DG GROW Director General,

Monica Frassoni – European Green Party, Co-chair

Robert Jan Jeekel – Arcelor Mittal, Head of European Affairs

Mark Johnston – European Policy Center,
Senior Adviser on energy, environment, climate change,

Fernand Felzinger – Ifiec Europe, President

Q&A

[* invited]

Drinks and reception to follow