



European Economic and Social Committee

TEN/501
Internal energy market
(communication)

Brussels, 13 February 2013

OPINION

of the
European Economic and Social Committee
on the
**Communication from the Commission to the European Parliament, the Council, the European
Economic and Social Committee and the Committee of the Regions - Making the internal
energy market work**
COM(2012) 663 final

Rapporteur: **Mr Coulon**

On 15 November 2012, the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Making the internal energy market work
COM(2012) 663 final.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 23 January 2013.

At its 487th plenary session, held on 13 and 14 February 2013 (meeting of 13 February), the European Economic and Social Committee adopted the following opinion by 94 votes to 2 with 3 abstentions.

*

* *

1. Conclusions and recommendations

- 1.1 The EESC views the internal energy market as an opportunity to make good use of the various energy choices made in Europe and to ensure that the system as a whole works as efficiently as possible (via interconnected infrastructure) in the interests of industrial and domestic consumers.
- 1.2 The EESC supports the Commission's approach in so far as it aims to eliminate measures that keep the end consumer from enjoying the benefits of various energy choices.
- 1.3 The entire system must be organised around consumers, and all the new functionalities linked to smart grids and smart meters must be designed with their interests in mind.
- 1.4 There is a definite information gap regarding the aims and methods of the internal energy market that can only be bridged by a major EU information campaign developed in cooperation with all civil society representatives.
- 1.5 Policies carried out in the EU must give priority to combating energy poverty/vulnerability. The EESC urges the Council and the Commission to place this subject at the top of the agenda for the May 2013 European energy summit.

2. **The internal energy market: not yet complete**

- 2.1 The European Commission communication rightly calls for an efficient internal energy market in order to reach the 2014 goal set in February 2011 by the EU Heads of State and Government; they stipulated that the internal energy market should be completed by then, giving all European consumers total freedom to choose their electricity or gas supplier.
- 2.2 Since 1996, a two-pronged principle has formed the basis for the construction of the internal electricity and gas market: all European consumers should be able to use the supplier of their choice (irrespective of the supplier's nationality) via an energy infrastructure no longer controlled by producers, and the sheer efficiency of this single market would have a beneficial effect on energy prices and send dynamic, relevant signals regarding the investments needed.
- 2.3 This ambition has not yet been achieved. In some countries, the internal energy market has led to more flexible choices for consumers and more competitive prices, softening the impact of price rises caused by the growing cost of primary energy. It has also helped roll out more fluid and transparent wholesale markets, thereby boosting security of supply in the EU. In most Member States, a key feature of developments in energy markets has been the shift from monopolies (national or regional) to oligopolies (still national or regional), with very low levels of interaction or competition.
- 2.4 The new tools (power exchanges, market coupling, etc.) account for a small percentage of total volume and the lion's share of exchanges is still organised mostly at national level. As regards electricity, competition in production is hypothetical in some countries: in eight out of 27 countries, 80% of electricity production is in the hands of historical providers and given the dominant position (or even the exclusive position in certain countries) of national gas suppliers, the internal gas market is also still largely hypothetical.
- 2.5 The internal energy market therefore currently operates more as a hotchpotch of national practices, markets and providers, applying the various European regulations adopted over the past twenty years under the oversight of each country's regulatory authorities and the ACER, than as a single economic area that, through genuine competition, benefits European industry and consumers. However, national energy choices have an impact on energy prices in neighbouring countries and decisions in this field cannot be adopted unilaterally.
- 2.6 Prices are distorted by the addition of local or national taxes that are opaque, uneven and often excessive – in some cases they have shot up by 1 000% in 15 years, heavily penalising domestic consumers and electricity-intensive industries. National policies promoting the development of renewable energy are not coordinated between countries and (insofar as these energy sources are unavoidable and have priority on the network) make a swift redesign of the European market imperative in order to avoid undermining the management of the European electricity system. For every type of energy, complete transparency regarding policies on subsidies (or exemptions) implemented in the Member States is essential to ensure

that all market players behave fairly and that the EU's competition rules are complied with in the field of energy.

- 2.7 The widespread practice of national regulated prices does not provide the dynamic price signals that can encourage consumers to cut back on consumption and take control of their bills; nor does it guarantee that the real costs of energy supply and production will be covered, undermining energy companies' balance sheets and the investments (in production and networks) that will be needed over the coming decades.
- 2.8 Lastly, owing to a lack of teaching, information and transparency, the aims and methods of the internal energy market are still largely misunderstood by Europeans/European consumers. Although the domestic consumer market has in theory been open since 1 July 2007, the low percentage of changes in supplier in some EU countries is simply the result of a chronic lack of information and communication by States, regulatory authorities and providers.

3. **Priorities for the completion of the internal energy market**

- 3.1 In view of the major challenges facing Europe (global economic crisis, climate change, securing energy supply, etc.), there is a need for more transparency, flexibility, energy exchange and interconnections between the Member States, in order to generate the obvious gains that are to be made in terms of efficiency and solidarity, and maximise the benefits of investments.
- 3.2 The EESC strongly supports the European Commission's initiatives and considers that completing a genuine common energy area for 500 million consumers is a crucial factor in renewed growth in Europe, above and beyond the establishment of a European energy community. The EESC considers that plentiful, shared and competitive energy is key to the development of the European economy and job creation therein. European industry needs competitive energy prices both to survive and to carry on growing.
- 3.3 With this goal in mind, it is important to check that in addition to the formal implementation of the regulations and directives adopted since December 1996, the spirit of the texts relating to the internal energy market is upheld and that the Member States encourage genuine competition at regional, national and European levels. The EESC supports the initiatives to remove obstacles to the use and efficiency of energy transport networks by speeding up standardisation, which is imperative for the large-scale development of renewable energy sources. It also endorses the development of energy interconnections and market coupling, as well as multilateral cooperation such as the establishment of Coreso (coordination of the electricity network in Western Europe), the first step towards a European electricity control centre.
- 3.4 The existence of administered prices, owing largely to national policy considerations, is part of a protectionist approach that goes against the EU's interests; it prevents the real cost of

energy being factored into consumer behaviour and can be accepted only as a temporary measure for Member States wanting to use it. Price signals reflecting real cost developments (including CO₂) must be sent to consumers and investors so that they can make informed decisions on future choices. Energy prices linked to real costs are one factor in controlling consumption and driving the development of consumers who will need to be more active in the new model that is taking shape.

- 3.5 Steps must also be taken to clarify and rethink local and national energy taxation which varies widely across the EU. The burden of fees and VAT for electricity ranges from 4.7% in the United Kingdom to 54.6% in Denmark, without taking into account the energy content of the electricity generated. The EESC therefore endorses the Commission's initiatives promoting uniform, smarter energy taxation in Europe. If the 20/20/20 goals are to be met and CO₂ emissions cut by 80% to 95% by 2050, a common tax framework will need to be adopted, so as to organise the tax burden on renewable and fossil energies on an objective basis, factoring in the energy content and CO₂ emissions for each product.
- 3.6 Energy poverty/vulnerability affects 13% of European households (i.e. 65 million Europeans) and cannot be separated from the development of the internal energy market. Competition, which is among its prime objectives, must always serve the interests of all the EU's consumers. This means that the market must be organised around consumers and a European definition of energy poverty developed with all speed; as in the case of European policy on regional aid, this definition should trigger national support policies. The EU must make a clear distinction between policies to combat energy poverty, which are both imperative and urgent, and protectionist pricing practices which go against the spirit of the internal market. The EESC suggests that the next European summit on energy, to be held in May 2013, should focus on this topic and lay the groundwork for a European public service for energy.
- 3.7 The EESC considers that education, information and transparency with regard to energy must be given priority¹ to enable consumers to make the best choices (in terms of value for money and energy efficiency) and to select the cheapest providers. The EU should launch a major communication campaign on common issues, providing European consumers with straightforward, practical information.
- 3.8 The EESC considers that consumer engagement is a necessary prerequisite for the successful roll-out of smart meters, a system that could improve energy efficiency. However, there are still many unresolved issues such as whether the potential benefits outweigh the costs for consumers, as well as interoperability and data protection issues. It is in the interests of all energy users that these problems be solved as soon as possible.
- 3.9 Tomorrow's European energy market must no longer be steered solely by supply; it must also encourage a decrease in industrial and household consumption, capitalising on the new

¹ [OJ C 191, 29.6.2012, p. 11-17.](#)

functionalities of smart grids and smart meters. The EESC is thus in favour of developing coordinated capacity mechanisms at European level, which will be able to smooth out peaks in consumption, to secure the functioning of European electricity systems (particularly during consumption peaks) and spur on a reduction in electricity consumption.

- 3.10 The EESC calls for a real European debate on the energy shift, the issues at stake, the associated costs and the way it will be organised between the Member States. Europe cannot be the sum of 27 self-interested energy policies. The EU must be able to gauge how choices made by one country will affect other countries. The involvement of civil society is crucial here, and the existence of the various forums is an advantage. A genuine European dialogue on energy must be established, bringing together all those concerned, particularly in the Member States, in tune with the European dimension.

Brussels, 13 February 2013.

The President
of the
European Economic and Social Committee

Staffan Nilsson
