Union Française de l'Électricité

2030 ENERGY-CLIMATE PACKAGE :

« 2030 package : A pragmatic shift in focus for Energy & Climate policies »

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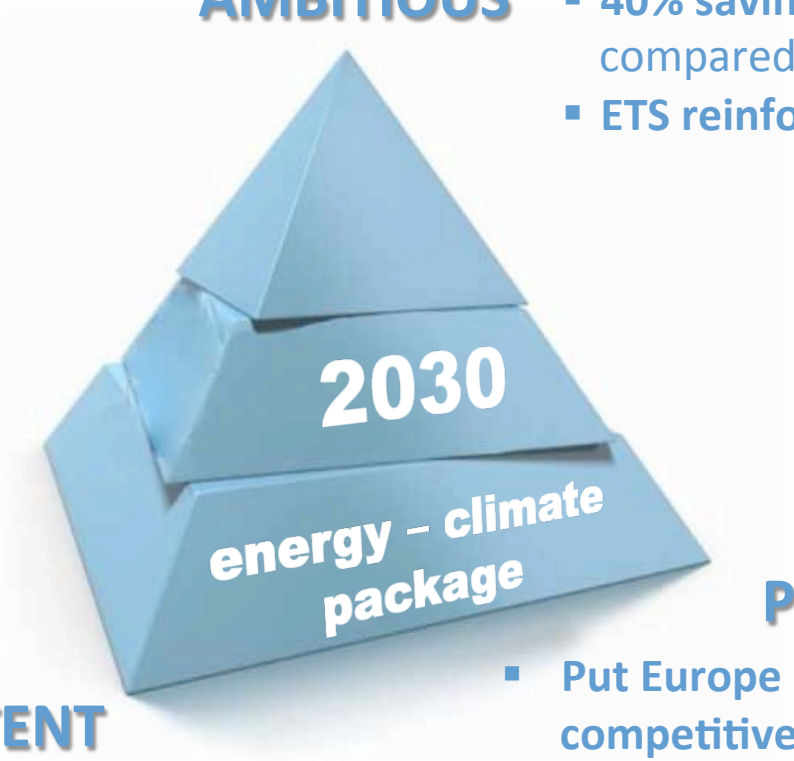
High Level Conference – Egmont Institute – Brussels – 2014 December 3rd

An ambitious, consistent & pragmatic Package

AMBITIOUS

- **40% savings of CO2 emissions** by 2030 compared to 1990
- **ETS reinforcement**



CONSISTENT

- **One main objective** : CO2
- **A central tool** : the Emission Trading System (ETS)

PRAGMATIC

- **Put Europe back in an international competitive framework**
- **Review clause** Post COP21

Comments

Through its 2030 Energy-Climate Package, UE shows, at a global level, an exemplary behaviour in order to fight climate change.

Actually, UFE considers this new Package as an **ambitious**, **consistent,** and **pragmatic** statement :

- **Why is it AMBITIOUS ?**

⇒because the main target is 40% savings of CO2 emissions by 2030
⇒because it's binding at Member State level

- **Why is it CONSISTENT ?**

=> because there is only one main objective : reducing CO2 emissions,
=> because it reasserts that ETS is the main tool in a low carbon strategy

- **Why is it PRAGMATIC ?**

⇒because this package put Europe back in an international competitive framework
⇒because it includes a rewiew clause post COP21

So, for UFE, which gathers all generators operating in France, as well as TSO and DSO, this is clearly an improvement compared to the 2008 Energy-Climate Package

VP of Energy Union emphasizes this shift in focus

- Beyond this new & ambitious Energy-Climate package, according to Maros Sefcovic, **the Energy Union must be built on five pillars**:
  - ✓ Security, Solidarity and Trust
  - ✓ Completion of a competitive internal market
  - ✓ Energy Efficiency
  - ✓ Decarbonisation of the European economy
  - ✓ Investments in R&D

- Ufe agrees with this shift of focus as we think we have **3 priority issues to deal with :**

Energy independance | **Competitiveness** | **Security of Supply**

Comments

In addition, Vice-President of the Energy Union, Maros Sefcovic, has underlined that EU must go a step forward to stabilize the EU energy policy. And he said that Energy Union must be built on five pillars among them the main two ones are : Security, Solidarity, and Trust and the completion of the a competitive internal market.

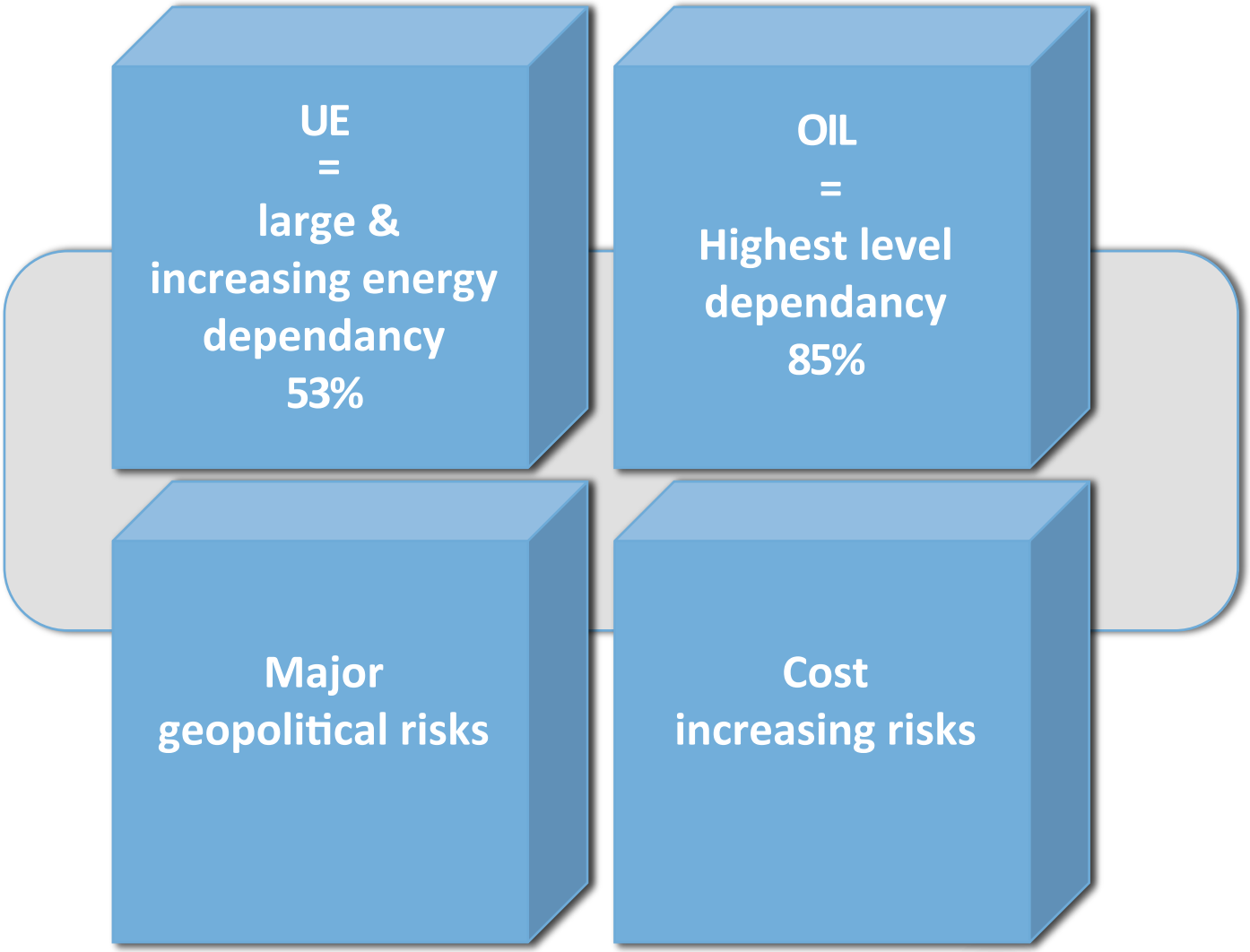
At this point, we can really speak of a shift in focus and UFE agrees with it as we think **we have three priority issues to deal with** :

=> We need to put a strong emphasis on how **to diminish our energy dependancy**

=> It is of an upmost urgency to cope with the **price issue**, not only for power, but also for Natural Gas

=> **Developing power interconnections is not enough to ensure Security of Supply (SoS)**

ISSUE 1 : Energy independance



Comments

EU energy dependancy is large and increasing : 10% in the last 10 years : 43 to 53 % .

And one of the main issues concerning EU dependancy is the **oil dependancy** with the highest level : **85 %**.

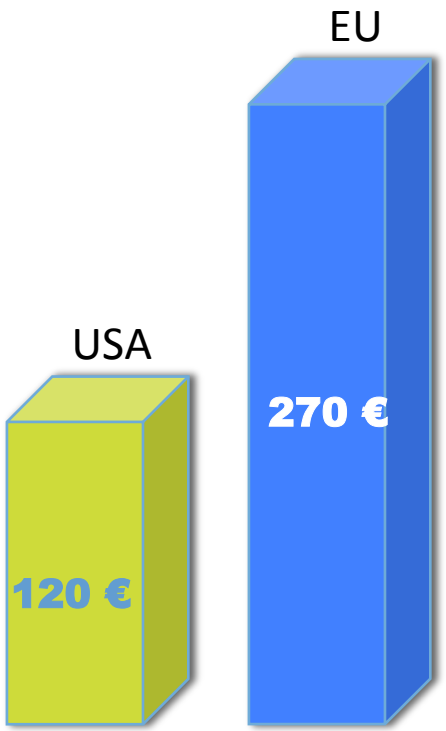
- Thus, we are facing **2 major risks** : **Geopolitical risks** & **Cost increasing risks**

- This dependancy is clearly linked to the **transportation sector**. But unfortunatly, even if the 2030 package includes this sector, it is mainly focused on buildings. We need to rebalance the policy between the 2 sectors.

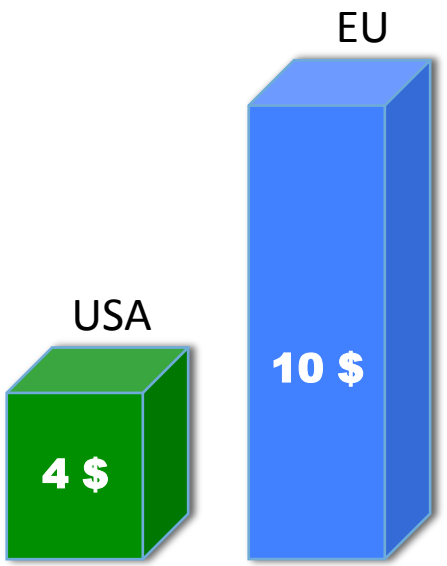
So, our conviction is : reducing the dependancy is fully consistent with the CO2 target; it means reducing fossil energy consumption

ISSUE 2 : Competitiveness

Power Prices (MWh)



Gas Prices (Mbtu)



Comments

These figures pinpoint that, **since 2010, Power prices in EU are 43% higher** (270 €/MWh), compared to the US = + 17% (120€/MWh)

On the top of that, there is a real gap, between US and Europe, in the trend of the increase itself !

Meanwhile, Gas prices in EU are 10 $ Mbtu, compared to US = 4 $ Mbtu !

Thus, **the 2020 package had a clear effect on power price levels in the EU**. In the meantime, the **shale gas revolution created an huge advantage for the US industry** and helped to keep the US power at a lower level.

Here again, at the european level, there are **2 major risks** :

⇒**Risk of industrial delocalisation**

⇒**Risk of increasing social impact on fuel poor populations**

So, we need to save our industry and help customers all over Europe.

ISSUE 3 : Security of Supply

Security of supply is different from energy dependancy

Security of supply addresses 4 topics :

- **Electrical networks stability (due to RES development)**
- **Infrastructures protection (including cyber attacks)**
- **Environmental risk (including nuclear)**
- **Long term investments financing**

Comments

First of all, we have to be clear that **SoS is different from the independancy issue, which is a geopolitical issue**.

In the power industry, we are strongly concerned with 4 topics. Which are those ?

- Firstly : the **risk of supply disruption** caused by the huge development of RES generation
- Secondly : the **infrastructure protection**, including, for the future, regarding the digital revolution, cyber attacks
- Thirdly : the **environmental risk**
- And finally, we are also deeply concerned by the fact that **LT financing is not granted anymore** in the present situation

That's why, in many countries, specifically in France, **we're encouraging the implementation of capacity mechanism**. And we are very gratefull that the European Commission supports this new approach to tackle the risk presented by EOM as far as SoS is concerned. We're, indeed, convinced that **capacity mechanism is complementary to EOM.**

An efficient energy policy means to clarify …

- What is the GOAL
- What are the ISSUES
- What could be the KEY FACTORS of SUCCESS

Comments

To implement an efficient energy policy, we must avoid mixing up :

- Goals
- Issues
- Means

Our goal, in the long term, is clearly acknowledged as the decarbonation of the EU energy mix

But we are facing **3 immediate issues** : **Energy dependancy**, **Lack of Competitiveness**, **SoS**

And to address theses goal and issues, each Member State can contribute by using his own means and by cooperating with the others states

Five Key Success Factors

- Switching fossil fuel use to low carbon energy use
- Moderating energy demand
- Developping national ressources
- Optimising exchanges between member states without standardising national policies
- Increasing much more R&D, coherent with CO2 objective

Comments

To solve these complex issues, we are convinced that **Europe needs to activate 5 key success factors** :

- First of all, **switching energy use must be the top priority** (especially in the transportation sector)
- Then, of course, **moderating energy demand** is also very important, **with a focus on fossil demand** and **with an economic rationale**
- We must also **develop all the available national resources** and we must **prevent the temptation of an ineffective standardisation of energy policies throughout the EU**
- And last mean, the **UE must developed a very ambitious R&D program, strictly focused on the LT decarbonisation objective**

In conclusion, let me express again our conviction that **the 2030 Package is a good first step in terms of improving European energy policy,** thanks to a more pragmatic approach. But unfortunatly, Europe is facing an unprecedented challenge in terms of global competition, so we must not underestimate this issue when it comes to energy.