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SECURITY OF SUPPLY AND ELECTRICITY PRICE

A secure and affordable energy supply is of crucial importance for a propitious investment climate and a competitive environment for industrial activities. In this context, Febeliec wishes to put forward the following priorities and positions:

1. Security of supply is the top priority: for industrial activities, power interruptions represent a serious threat for the efficiency of production processes, an important potential handicap for a correct *return on investment*, and in some cases even a threat for the integrity of the plants. Worse than expensive power, is no power at all, and a lack of security of supply would have dramatic consequences to secure current industrial activities and to attract industrial investments. For Febeliec, security of supply must therefore be guaranteed and this at the following levels:
 - 1) Generation:
 - A propitious investment climate (permitting policy, connection, grid capacity, stability) must guarantee that there is sufficient capacity available to cover power demand at every moment;
 - Given the interaction between climate and energy policy, the European authorities must make clear and consistent choices in the long term as concerns fuel choices (eg. nuclear, fossil fuels, renewable energy, ...), each of them with its specificity (investment cost, fuel cost, availability, ...); objectives concerning climate, market functioning and security of supply must therefore be taken into consideration in total cohesion;
 - Cogeneration is one of the most clean production technologies for steam and power, as regards energy and environment, and must therefore be stimulated wherever possible;
 - *Capacity payments* disturb the market and do not offer a solution for structural lack of power; they can therefore only be deployed if all other solutions fail.
 - 2) Load: industrial consumers can contribute on a voluntary basis and providing there is a correct compensation to the stability of the electric system. By developing more flexible products, this role can even be expanded. They can, however, not systematically be (de)connected in function of the availability of intermittent energy sources; this would lead to economic value destruction and an industrial phase out. Industrial consumers can in no way be held responsible for security of supply: they do not have the means, the expertise nor the societal obligation.
 - 3) Grid: the grid operator is *in fine* responsible for the integrity of the electric system. The aim of single European markets for gas and electricity and the still increasing impact of the European climate policy, will here also make necessary a far-reaching European integration. In any case, the grid operator must:
 - have at his disposal the required financial means to develop the grid and the interconnectors to a level that, *a priori*, virtually excludes all congestions;
 - be able to rely on access responsible parties (ARPs) that permanently keep in balance offer and demand within their client portfolio;
 - dispose of sufficient (own or acquired) flexible and efficient reserve capacity to be able to secure the stability of the grid at every moment.
2. Competitive prices, oxygen for the industry
Electricity prices in line with those in our neighbouring countries are, besides security of supply, fundamental for the competitiveness and thus for the growth and development of our industry. This means essentially:

- 1) a competitively priced commodity, in a transparent and efficient market environment, under the supervision of the regulators;
- 2) the suppression of surcharges that are not directly linked with energy consumption, and the introduction of digressive tariffs and ceiling of all surcharges;
- 3) aiming at cost-efficient transmission and distribution grids with competitive tariffs;
- 4) natural gas is more and more the marginal and thus price determining technology for the electricity market. A well-functioning natural gas market with a sufficient number of actors, the required transparency and competitive prices will therefore be determining for the electricity prices in the upcoming years.

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