

PRESS RELEASE

BELGIUM MUST DARE TO MAKE CHOICES AT THE EUROPEAN SUMMIT

Brussels, October 22, 2014.

With the important European summit on climate and energy approaching, Belgian governments must dare to put forward strong claims at European level. That is what the electricity consuming industry is saying through the voice of Febeliec. The federation notes that crucial choices will have to be made in the upcoming months regarding our electricity supply and on how we must make it affordable, reliable and environmentally friendly. "Security of supply and affordability of electricity have never been so high on the agenda", says Peter Claes, director of Febeliec. "We do not disagree that we must go for renewable energy but we are not ready to let go existing plants. Belgium must also plead in favour of removing the current confusion between regulation on the one hand and liberalization on the other, and to make a choice that goes for everyone", continues Peter Claes. Febeliec wants the Belgian governmental leaders to give a clear orientation at the European summit of October 23-24 next. In this view, following choices must be made.

1. Go for renewable energy, but don't let go existing technology.

These last years, Europe has definitely chosen for renewable energy. Wind and solar energy in particular were strongly subsidized in this effect, and developed fast in numerous countries (Germany, Spain, Belgium ...). Although significant progress was made at technological and economical level, renewable energy still remains more expensive compared to fossil fuels. Sun and wind are moreover not always sufficiently available, and thus other, reliable electricity plants must be in stand-by in order to be able to fill in demand at any time. Electricity storage and demand response can reduce these costs in the end, but still require quite some research and development. Renewable energy has quite some potential to reduce emissions of greenhouse gases and our energy dependency, but today priority should be given to improvement of existing technologies and development of new ones.

2. Make a decision: either a liberalized market, either regulation, but quit the caboodle.

With the liberalization trend at the end of the last century, the (in Europe traditionally regulated) markets for electricity and natural gas were also opened to international competition. It was a laborious process, with consecutive legislating "packages" and a more and more regulation oriented market. More than 15 years later, we can still not speak of a success. Energy policy continues to belong mainly to the member states, which seem to be reluctant to collaborate on issues such as fuel choice, energy prices and cross-border interconnections. The liberalization moreover faces a European climate policy that focusses on reducing greenhouse gases and (especially) the fast development of renewable energy sources. The result is a patchwork of national "markets" with an amalgam of specifically regulated prices, the most diverging support mechanisms for all sorts of technologies and still less space for real cross-border competitiveness. Europe must therefore urgently and without hesitation choose for an operational model of real liberalization and integration of the market, otherwise a return to regulation is inevitable.

3. More Europe, less lobbying by individual member states.

Energy policy does not belong to the core business of the European Union, although European institutions do play an important role in elaborating and even setting a general framework for the policy in member states. The latter continue, however, to choose for a lot of crucial issues for the sake of national interests (fuel choice for electricity production, support mechanisms for renewable energy, capacity mechanisms for gas-fuelled plants, price guarantees for nuclear plants, preferential treatments and so on). In such a context, an integrated European electricity market remains a remote utopia, and inefficient and contradictory national decisions lead to significant surcharges for all users. Without more harmonization of European energy policy, we cannot speak about an efficiently working European electricity market.

Febeliec represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febeliec has as members 6 business associations (chemistry and life sciences, steel, glass, pulp & paper, mining, textiles and wood processing) and 24 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Aurubis Belgium, BASF Antwerpen, Bayer Antwerpen, Bekaert, Borealis, Dow Belgium, Evonik Degussa Antwerpen, Infrabel, Ineos, Lanxess, NLMK Belgium, Nyrstar Belgium, Praxair, Sol, Solvay, Tessenderlo Chemie, Total Petrochemicals & Refining, Umicore, Unilin and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

4. Industry must not become the victim of the reform of the emission trading system.

Since 2005, the largest industrial players in the EU (including electricity producers) are obliged to cover their CO₂ emissions by introducing emission rights, which are obtained by free allocation, by auctions or by buying them in the market. The price of the rights is determined by supply and demand, and has strongly decreased these last few years (amongst others due to the economic crisis). Substantial reforms are therefore proposed, which can nevertheless be damageable for European industry. It is in this view crucial that industrial activities that are at the same time energy intensive and subject to global competitiveness, can continue to further grow in Europe, on condition that they achieve ambitious objectives regarding energy efficiency.

Europe faces radical choices regarding its electricity supply. Everybody agrees on the objectives: electricity must be reliable, affordable and environmentally friendly. But opinions diverge on the means: full speed ahead for renewable, complemented or not by natural gas? Coal with carbon capture and storage? Or nuclear anyway, with the fastest transition possible to the newest generation of plants? All this inside or outside the market? In a European context or all individually? In this complex environment, Belgium too must rapidly make the necessary choices. Not choosing is indeed damageable, as the situation shows today. The future of our industry and of its employees depends on it. Febeliec, in the name of the industrial electricity users in Belgium.

Contact: Thérèse van Bellinghen (Op de Beeck & Partners) - 0475/47.82.33 - therese@opdebeeck-partners.be