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Benchmarking study of electricity prices between Belgium and neighboring countries

Press conference

7 March 2018

Objectives and scope of the benchmarking study

The **primary objective of the study that Febeliec requested from Deloitte** is to obtain an overview of possible differences in prices for electricity purchased on the electricity market by major industrial consumers in Belgium, such as the members of Febeliec, as compared to their peers in France, the Netherlands and Germany.

- The **primary focus** is on **relative price differences** that exist on the market for Febeliec members profiles using identical, simplified, standardized, load (baseload and peak load) and volume profiles (ranging from 100 GWh to 1000 GWh).
- The **study covers** the actual prices for electricity that can be purchased in the relevant electricity markets in the **period 2016, 2017 and 2018** based on existing legislation and policies.

Benchmark methodology

The relevant electricity price components used in this study are based solely on public data sources.

Market price:

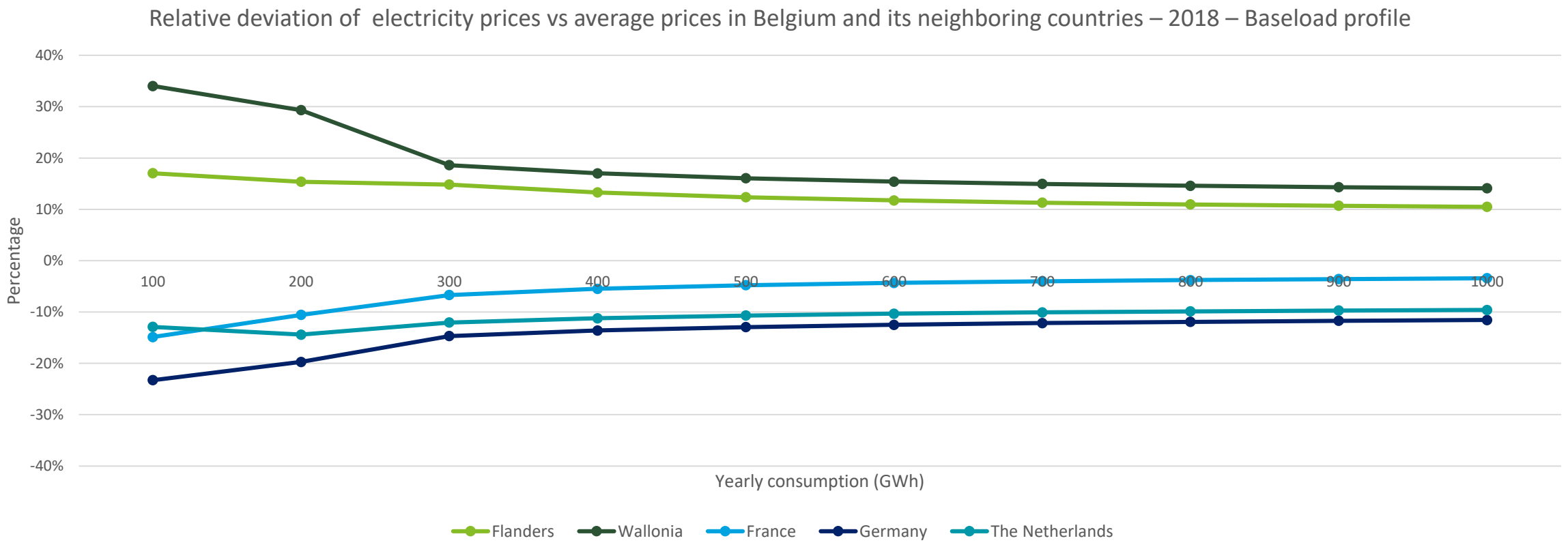
Market prices are based on electricity market quotations (using appropriate combinations of spot & forward prices) as to obtain objective data that is comparable over the different Febeliec members. This pricing approach neutralizes the impact of:

- Different sourcing and hedging strategies
- Historical long term sourcing contracts concluded under different market conditions

Network costs: Network costs are regulated tariffs applied by the transmission grid operators (TSOs) for the transport of electricity over the transmission network (excluding distribution).

Electricity taxes: Represent all taxes and other levies that are to be paid on top of the market price and network costs in the different jurisdictions.

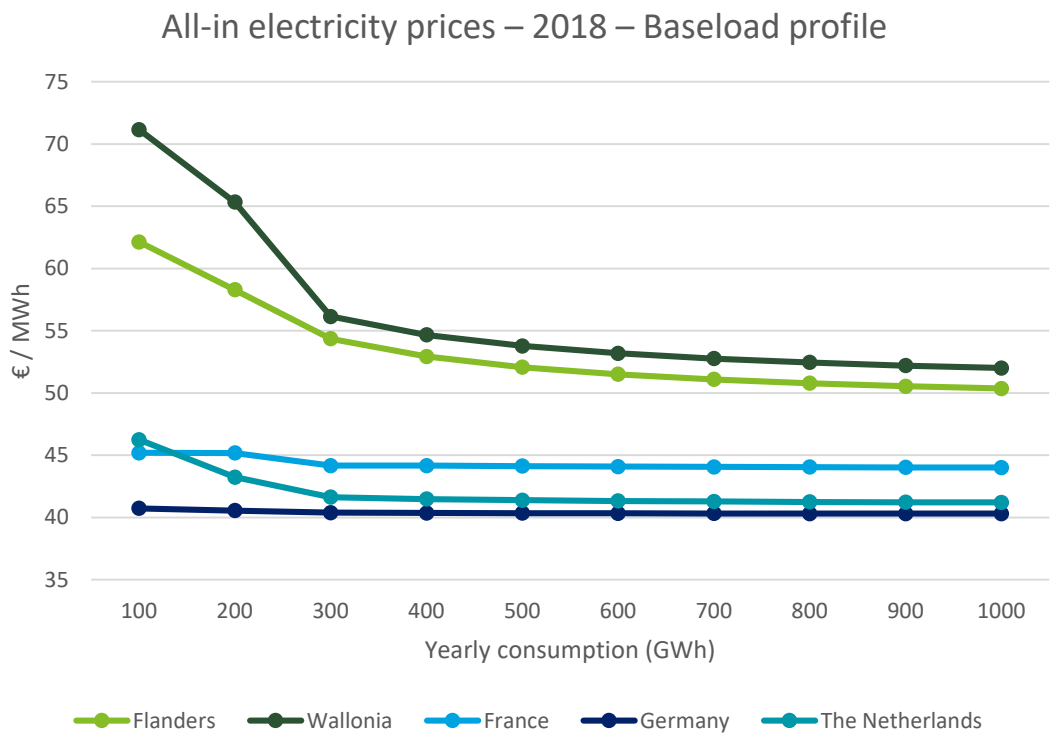
Benchmark all-in electricity prices for a baseload profile



Large industrial baseload consumers are facing higher all-in prices for electricity purchased in Belgium versus electricity purchased in its neighboring countries.

All-in prices are between **10%** (for 1000GWh in Flanders) and **34%** (for 100GWh in Wallonia) higher in Belgium, compared to the average of all countries in scope of the study.

Benchmark all-in electricity prices for a baseload profile



Total all-in prices for electricity range between:

- **41 €/MWh** in Germany (100 GWh)
- **62 €/MWh** in Flanders (100 GWh)
- **71 €/MWh** in Wallonia (100 GWh)

The study reveals that, compared to the average of all countries in scope of the study, prices for industrial consumers are higher in Belgium:

- between **5** to **9 €/MWh** in Flanders and
- between **6** to **18 €/MWh** in Wallonia

For a 100 GWh baseload consumer this represents an annual electricity cost difference of:

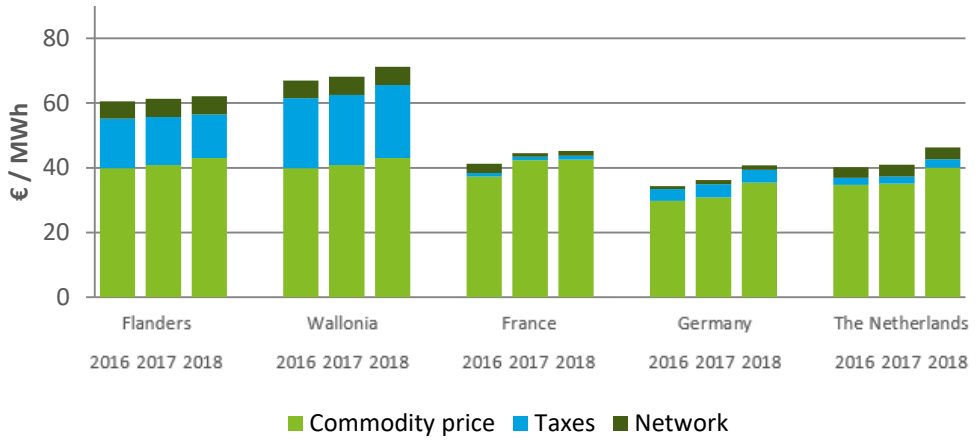
- **0,9 million €** in Flanders and
- **1,8 million €** in Wallonia

For a 1000 GWh baseload consumer this represents an annual electricity cost difference of:

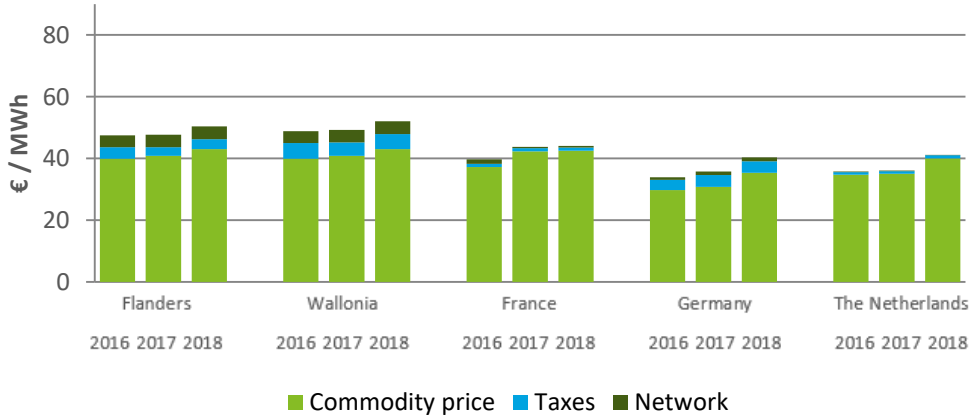
- **4,7 million €** in Flanders and
- **6,4 million €** in Wallonia

Benchmark all-in electricity prices for a baseload profile

All-in electricity prices for baseload profiles (100 GWh)



All-in electricity prices for baseload profiles (1000 GWh)



The all-in **electricity prices have increased** in Belgium **in 2018 compared to 2017**. For Flanders we see an increase in all-in electricity prices of +1% (100MWh) up to +5% (1000MWh) and for Wallonia we see an increase of +5% (all profiles).

This increase is partially explained by an increasing commodity cost (+5%). Network costs have also increased (+1% to +2%), both in Flanders and in Wallonia. Taxes in Wallonia have increased (with up to +10%). In Flanders, taxes for voltage levels above 70kV have increased (with up to +12%) while taxes for voltage levels up to 70kV have decreased (with up to -11%).

The observed price difference with the other countries is essentially driven by a combination of the following elements:

- **Substantially higher electricity taxes** in Flanders and Wallonia compared to the neighboring countries.
- **Important discounts on network costs in France, Germany and the Netherlands** of up to 90% of the standard tariffs for certain consumption profiles.
- **Commodity prices** in Flanders & Wallonia are about 5% higher than the average of all countries in scope of the study.

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