



Benchmarking study of electricity prices between Belgium and neighboring countries

Press conference

22 April 2020



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 **price differences 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 member 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 2018, 2019 and 2020** 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).

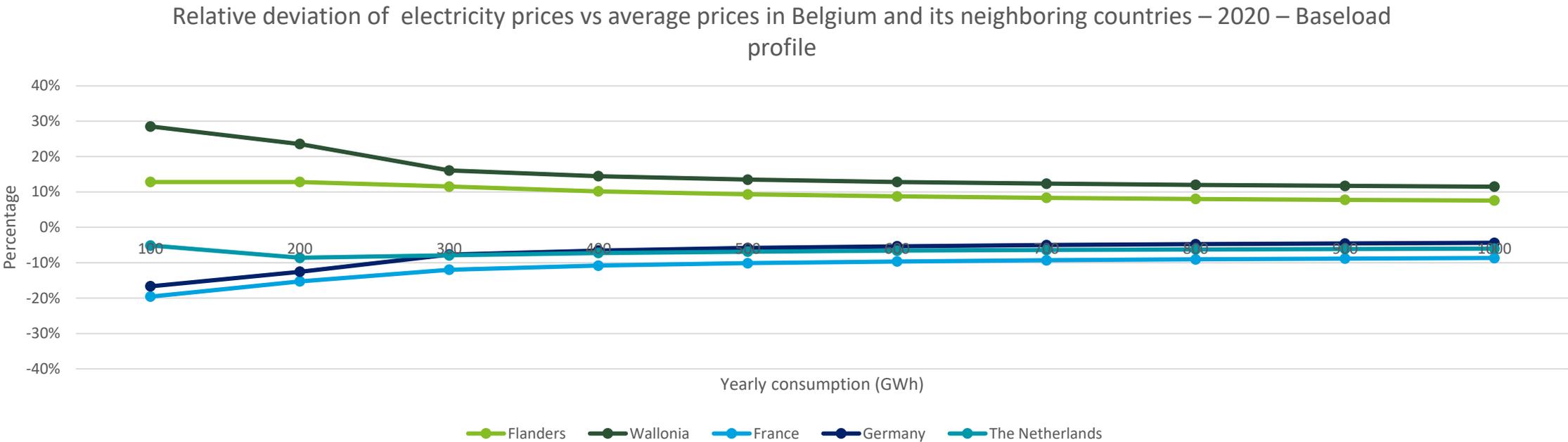
Electricity taxes:

Represent all taxes and other levies that are to be paid on top of the market price and network costs in the different jurisdictions. All countries and regions in this study apply hardship regimes for different electricity surcharges and taxes for specific activities and/or offtake volumes. The different countries and regions apply various rules and criteria, though in most cases the European EEAG (Guidelines on State aid for environmental protection and energy) apply in order to avoid illegal state aid and/or distortion of competition.

In this study, it is assumed that consumers are rational and benefit from the maximum possible exemptions for qualified industrial activities. This does not exclude that specific (categories of) consumers benefit either from higher exemptions (e.g. very high energy-intensive activities or specific activity sectors) or from lower exemptions (e.g. consumers in specific activity sectors).

Benchmark all-in electricity prices

Baseload profile

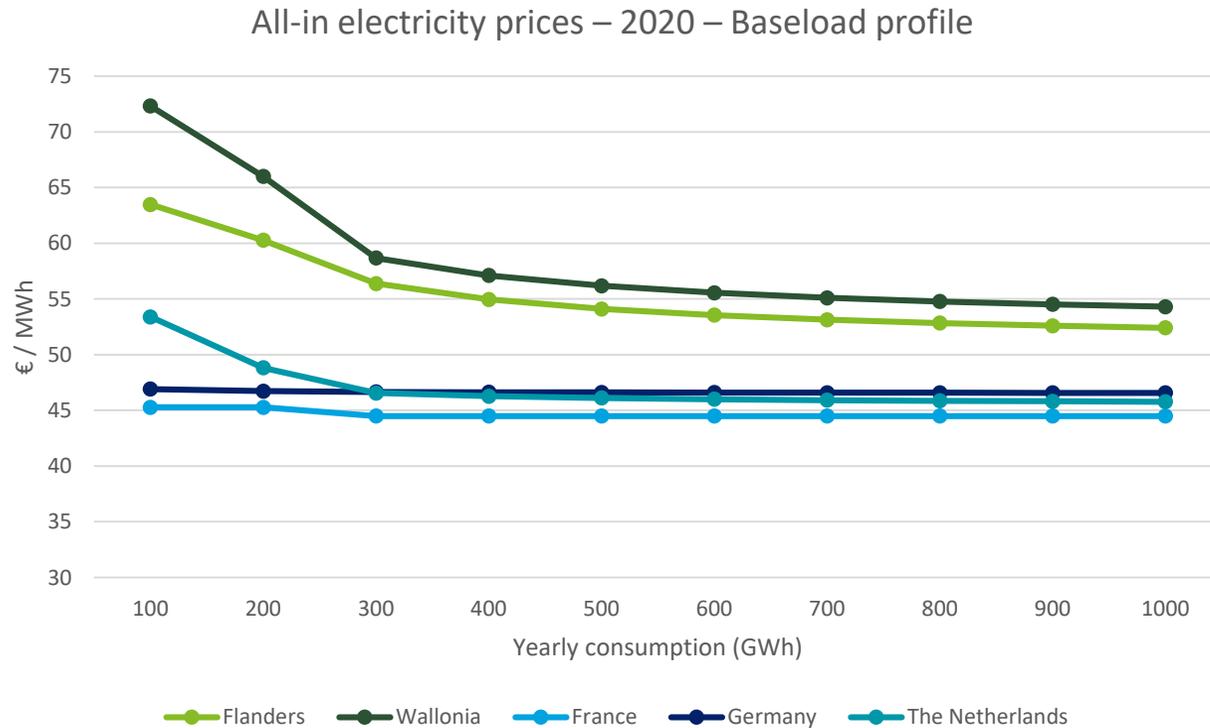


Large industrial baseload consumers are facing higher all-in prices for electricity purchased in Belgium versus in its neighboring countries.

In Flanders, results show a difference in electricity price of approximately **4€/MWh (+8%)** for a 1000 GWh industrial consumer and up to **7€/MWh (+13%)** for a 100 GWh industrial consumer compared to the average of the electricity prices of all countries in scope of the study. In Wallonia, we see differences of approximately **6€/MWh (+12%)** for a 1000 GWh industrial consumer and up to **16€/MWh (+29%)** for a 100 GWh industrial consumer compared to the average of the electricity prices of all countries in scope of the study.

Benchmark all-in electricity prices

Baseload profile



Total all-in prices for electricity range between:

- **44 €/MWh** in France (100 GWh)
- **63€/MWh** in Flanders (100 GWh)
- **72€/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 **4 to 7€/MWh** in Flanders and
- between **6 to 16€/MWh** in Wallonia

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

- **0,7 million €** in Flanders and
- **1,6 million €** in Wallonia

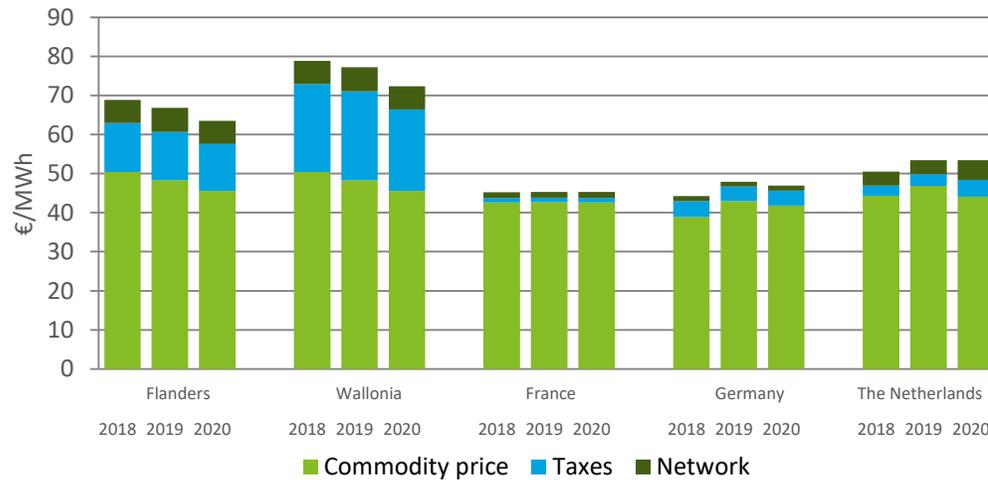
For a 1000 GWh baseload consumer this represents an annual electricity cost difference of:

- **3,5 million €** in Flanders and
- **5,6 million €** in Wallonia

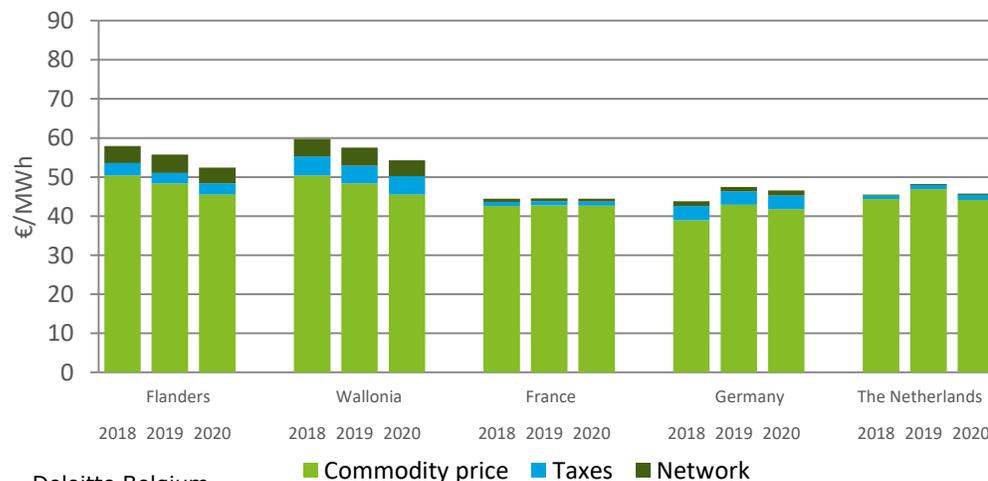
Benchmark all-in electricity prices

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 decreased** in Belgium in **2020 compared to 2019**. For Flanders and Wallonia, we see a decrease in all-in electricity prices of 5% and 7% for a 100 GWh profile and 6% for a 1000 GWh profile.

This decrease is partially explained by a decreasing commodity cost (6%). Network costs have also decreased (4% for 100GWh profile), both in Flanders and in Wallonia. For 100 GWh profiles, we see a decrease in taxes compared to last year of around 2% for Flanders and 8% for Wallonia. For 1000 GWh profiles, there's a slight increase in taxes of around 2% for both Flanders and Wallonia.

Although the all-in electricity prices for baseload profiles in Belgium have decreased in 2020, they are still significantly higher than in the neighboring countries. The observed price difference with the other countries is essentially driven by a combination of the following elements:

- **Higher electricity taxes** in Flanders and Wallonia compared to the neighboring countries. Even if, for some profiles, taxes decreased this year, they are higher compared to all neighboring countries (both in Flanders and in Wallonia).
- **Important discounts on network costs in France, Germany and the Netherlands** of up to 90% of the standard tariffs for certain consumption profiles. More details can be found in the appendix to this report.
- **Commodity prices** in Flanders & Wallonia are about 5% higher than the average commodity cost for all countries in scope.



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