

## **Febeliec answer to the CREG consultation on the amendment of Royal Decree on the parameters for the CRM volume to procure and the auctions parameters, including the method and conditions for an IPC derogation**

Febeliec would like to thank CREG for this consultation on the amendment of the Royal Decree on the parameters for the CRM volume to procure and the auctions parameters, including the method and conditions for an IPC derogation.

Febeliec would like to stress that it is of the utmost importance that the legal lowest possible cost criterion for the CRM is applied, in order to ensure that costs for consumers will not unduly be increased ever more, and to avoid that the competitiveness of the Belgian industry is undermined even further.

Febeliec however, as already indicated several times in the past to several other CRM consultations, remains in doubt on whether the proposed CRM design and parameters will lead to this lowest cost goal. With respect to the consultation at hand, Febeliec for example wonders whether a minimal return of 5,53% as WACC (which leads to a relatively higher return on equity with high gearings) with an additional risk premium of 2% is not excessive in light of the fact that the CRM limits or completely nullifies exposure of the participants towards downside risk, insofar they fulfill their contractual obligations. One could wonder whether the proposed returns are indeed not excessive for this low risk investment (if all contractual obligations are fulfilled) in comparison with other low risk or risk free investments (e.g. treasury bonds). Moreover, the Belgian CRM also allows participants to retain a more than substantial part of market revenues on top of the provided subsidies, meaning that participants have a more than likely additional positive outlook and potentially even windfall profits. Nevertheless, Febeliec can only observe that some proposals for remuneration of participants seem to go even beyond the proposal of the CREG, which would be even more in contradiction with the least cost criterion and this unacceptable for electricity consumers.

In any case, Febeliec insists that coherence and consistency is maintained between all the different components of the CRM (including e.g. the adequacy assessment and volume determination exercises) and as such insists that the same values are applied across the board, based on a thorough evaluation of the true risk exposure and (if any) missing money for certain market players that should be compensated, to avoid not only inconsistencies but in particular and explicitly undue windfall profits for participants at the detriment of cost for consumers (and not in line with the legal lowest cost criterion). Febeliec is furthermore of the opinion that the applied values should not only be consistent and coherent, but also be defined in an independent and non-arbitrary way. In any case, Febeliec explicitly opposes pancaking of cumulative risk premiums and other ways to increase return on investment for participants (e.g. through the application of CONE and correction factors to a very limited subset of potential technologies) at the detriment of cost for consumers without a thorough justification of every layer as well as a justification that no (potentially only perceived but not realized) risks are covered more than once, as this in any case will lead to additional costs without any additional value.

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*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 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 38 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Bekaert, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Proxiums, Recticel, Sol, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.*