

PRESS RELEASE – 21/01/2009

FebelieC asks for tax on windfall profits for electricity producers

FebelieC, the federation of industrial electricity consumers, asks the federal government to lay on a tax for the electricity producers who charge their freely obtained emission rights on to the companies. The revenue of this tax should be used to compensate the duped companies. This could be done by means of financing initiatives about sustainable energy by using these new revenues. It makes it possible to lower the green taxes which companies pay for at the moment, thus lowering their final energy bill as well. For FebelieC, this is a transitory measure waiting for a correct auctioning of emission rights and waiting for a real competitive electricity market. The proposal was approved of today during the General Council of the CREG, the regulator of the electricity market.

For the period 2005-2007, Electrabel and the other electricity producers passed through to the companies a cost for CO₂ emission rights, which they themselves had received for free. In this way they were able to achieve the so called ‘windfall profits’. The importance of these advantages is different for each producer. It depends amongst others on the number of rights received for free, on the production technology that is used and on the effective costs to reduce the CO₂ emission. The most important disadvantaged ones are however the consumers having a contract based on the wholesale price, that is to say mainly the industry in our country.

Today, the CREG has published its recommendations on the study of the Board Committee on ‘windfall profits’. It was herein observed that the emission trading system (ETS), introduced by the EU in 2005, caused an increase of the wholesale price. This increase is clearly not based on a real cost increase at the producers’ side. Conclusion: the system of the freely attributed rights does not really work in an electricity market in which there is no sufficient competition.

Therefore FebelieC, together with other representatives of the electricity consumers, asks the government:

- as in other EU member states, to take measures to carry back the unjustified advantages (those from the future as well as those from the past) to the consumers concerned. In a concrete way, they ask for a tax on the ‘windfall profits’ for the electricity producers. This should for example allow to finance initiatives about sustainable energy on an alternative way and to partially discharge the electricity consumers with this obligation. This would bring about an important decrease of the electricity cost;
- avoid other ‘windfall profits’ as long as a structural solution has not been found;
- find a structural solution by stimulating real competition on the Central-West-European electricity market and by auctioning all of the emission rights allocated to the electricity producers.

With this recommendation, the electricity consumers reply to the question for advice coming from Energy Minister Paul Magnette. FebelieC, which represents 90% of the industrial consumers of electricity and gas in Belgium, is willing to analyse and to refine, together with Minister Magnette, possible solutions, and hopes for quick results.

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