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Committee on Economic and Monetary Affairs

2007/2089(INI)

18.6.2007

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Industry, Research and Energy

on the Prospects for the internal gas and electricity market
(2007/2089(INI))

Draftswoman (*): Sophia in 't Veld

(*) Enhanced cooperation between committees Rule 47
of the Rules of Procedure

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SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. Whereas the new European energy policy for sustainable, secure and competitive energy needs to be ambitious and aimed at long-term benefits, with the main focus on combating climate change, limiting the EU's external vulnerability to imports, and promoting growth and jobs;
- B. Whereas an adequate legislative framework in accordance with the principle of subsidiarity has to be established in a timely manner in order to achieve these ambitious and long-term benefits;
- C. Whereas the Commission communication on the prospects for the internal gas and electricity market (COM(2006)0841) and the DG Competition report on the Energy Sector Inquiry (SEC(2006)1724) conclude that the present rules and liberalisation measures have led to efficiency improvements in energy supply and delivered savings to customers, but that markets have not yet been opened fully and barriers to free competition still remain; whereas, moreover, the existing legislative framework has not yet been fully and duly transposed by the Member States into national law and further steps are therefore necessary in order to achieve market liberalisation;
- D. Whereas few Member States have opened their gas markets; whereas lower prices and a quality service in the supply in the gas market are key for the whole system, both for consumers and enterprises;
- E. Whereas in its resolution of 14 December 2006 on a European strategy for sustainable, competitive and secure energy - Green Paper¹, Parliament stressed that transmission systems in the energy sector should undergo full ownership unbundling as soon as the Commission has concluded that existing legislation is ineffective;
- F. Whereas following the sector inquiry and in light of the economic evidence, the Commission considers that ownership unbundling is the most effective means to ensuring choice for energy users and to encourage investment;
- G. Whereas the current regulatory cross-border gap cannot be remedied by the application of competition rules alone; whereas reinforced coordination between national energy regulators, by enhancing the competences of the European Regulators' Group for electricity and gas (ERGEG), with a stronger role for Community oversight to enforce internal market principles, should be ensured;
- H. Whereas the available data suggest that Member States have made only limited use of targeted public service obligations to address vulnerable customers;

¹ *Texts Adopted*, P6_TA(2006)0603.

1. Reiterates that the Lisbon Strategy can be a success only if further efforts are made to establish a common energy policy based on a broader vision of the common European interest in the energy field by respecting national characteristics and allowing Member States to adhere to their energy mixes in order to diversify energy sources and energy producers as much as possible;
2. Believes that a number of serious shortcomings identified by the energy sector inquiry call for urgent action to deliver a functioning internal market for energy by the effective unbundling of network and supply activities, plugging existing regulatory gaps, addressing market concentration and entry barriers, and increasing transparency in market operations; urgently calls for a full and proper transposition of Community law into national law without delay; requests in this context strict action to be taken in cases where Community law has been infringed;
3. Agrees with the Commission that there is no alternative to the liberalisation process and calls on Member States to ensure full and effective transposition of existing liberalisation Directives; moreover, endorses the Commission proposal to address the malfunctioning of the market by applying both competition-based and regulatory remedies;
4. Endorses the results of the energy sector inquiry indicating that legal and functional unbundling as currently required by the legislation is not sufficient to ensure the development of a real, competitive European energy market; reiterates that non-discriminatory network access should be ensured and fully endorses the Commission proposal for further action to ensure clearer separation of energy production from energy distribution;
5. Calls on the Commission to present an analysis in which the expected costs of an ownership unbundling for the Member States, the expected effects on investments in the networks as well as the benefits for the internal market and the customer respectively demonstrated; points out that the analysis should also take account of the question whether and if so which problems or costs occur if no unbundling is carried out by the state as well as whether the negative consequences differ between state and private ownership; suggests that, furthermore, the advantages of ownership unbundling relative to the independent regional market operator approach as regards the achievements of objectives should be analysed;
6. Insists on the need to give system operators proper incentives to operate and develop the network in the interest of all users; considers that as a stable regulatory framework is essential in order to ensure investment decisions future measures affecting the internal market have to be designed and implemented in a way that provides a positive framework for much-needed investment; stresses, however, that unbundling should be seen as a pre-condition but not the only condition for guaranteeing fair competition; believes that public ownership in the electricity and gas markets is one of the main elements leading to distortions at a European level and that the stimulus for competition in those markets is more reduced if there are public enterprises, because in most cases, by virtue of their company statute, there is a lower level of transparency and information for potential investors in regard to such companies, and they are dependent on political decisions taken by the Member State governments involved; insists that appropriate measures be put in

place to prevent a situation in which public monopolies are replaced by private ones;

7. Welcomes the Commission proposal to strengthen the national energy regulators' independence, to enhance their powers, to reinforce coordination between the regulators and the Transmission System Operators (TSO); considers that regulators' independence must not hamper the political action that Member State governments must take in order to foster competition, ensure security of supply and protect the environment in the internal gas and electricity markets;
8. Stresses the need to harmonise the levels of powers and independence of energy regulators in order to enable strong coordination at European level and to discourage abuse of regulatory powers for national protectionist purposes;
9. Shares the views of the Commission that the powers of national regulators need to be strengthened and that European coordination must be enhanced, particularly as regards cross-border issues;
10. Agrees that the European network of independent regulators (ERGEG+) approach is the most suitable for rapid and effective progress in harmonising the technical issues necessary to make cross-border trade work effectively; considers Commission involvement appropriate where necessary to ensure that due account is taken of the Community interest;
11. Welcomes the proposal to grant existing associations of TSOs an institutional role with formal obligations and objectives (the ETSO+GTE+ solution); considers, however, that further thought has to be given to the setting up of independently owned cross-border system operators so as to make sure that competition is strengthened and not hampered; believes that efforts should also be made to bring about a gradual evolution towards regional system operators;
12. Stresses its deep concern regarding certain protectionist initiatives undertaken by some European governments, justifying their position by referring to the defence of strategic sectors, and alleged national general interest; underlines that protectionism within the single market goes against the European construction; in the energy sector, it impoverishes the security of supply, it reduces the efficiency, increases therefore the prices to be paid by consumers and damages sustainable development;
13. Encourages the Commission to take action against Member States that unduly protect national or European energy champions, including by the unjustified use of golden shares, and against Member States with regulated tariffs which hamper competition and market integration; requests that the same political standards be applied to the old and new Member States, taking into account the special role of the energy sector in the catching-up process of the economies in new Member States; emphasises that the promotion of national or European energy champions can damage the competitiveness of the companies, the level of competition in the energy market and the interests of the consumers; insists on the need of companies that provide a quality service for citizens and are able to compete not only at a national or European level, but also in the global market;
14. Stresses that access to market information should be further enhanced and welcomes the

Commission's intention to introduce binding provisions on transparency; agrees that all the relevant market information should be published on a rolling basis in a timely manner and that proper monitoring should be ensured;

15. Considers that subsidies for non-renewable sources of energy should be eliminated thereby ensuring a level playing field, that external environmental costs should be internalised in the price of energy and that market-based instruments should be used to achieve environmental and energy policy objectives;
16. Notes that targeted high-standard universal service obligations (USOs) and public service obligations (PSOs) should comply with State aid rules and that competition law applies with respect to price discrimination and restrictions on re-sale; stresses that it is of crucial importance to assess the impact of the remaining regulated supply tariffs on the development of competition, and to remove market distortions.

PROCEDURE

Title	Prospects for the internal gas and electricity market		
Procedure number	2007/2089(INI)		
Committee responsible	ITRE		
Opinion by Date announced in plenary	ECON 26.4.2007		
Enhanced cooperation – date announced in plenary	26.4.2007		
Drafts(wo)man Date appointed	Sophia in 't Veld 13.3.2007		
Previous drafts(wo)man			
Discussed in committee	27.3.2007	11.4.2007	8.5.2007
Date adopted	5.6.2007		
Result of final vote	+: -: 0:	25 2 11	
Members present for the final vote	Gabriele Albertini, Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Ieke van den Burg, David Casa, Christian Ehler, Jonathan Evans, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Robert Goebbels, Donata Gottardi, Dariusz Maciej Grabowski, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Guntars Krasts, Andrea Losco, Astrid Lulling, Cristobal Montoro Romero, Joseph Muscat, Joop Post, John Purvis, Alexander Radwan, Dariusz Rosati, Heide Rühle, Eoin Ryan, Antolín Sánchez Presedo, Manuel António dos Santos, Cristian Stănescu, Margarita Starkevičiūtė, Ivo Strejček, Sahra Wagenknecht.		
Substitute(s) present for the final vote	Harald Ettl, Ján Hudacký, Werner Langen, Maria Petre, Andreas Schwab.		
Substitute(s) under Rule 178(2) present for the final vote	Anne Ferreira		
Comments (available in one language only)	...		