



E-CONTROL



Regulation Policy in the EU Towards the Internal Energy Market?

Walter Boltz
Chairman, E-Control,
Vice President ERGEG

Experience in the European Union



à Objectives of liberalization:

- Single European Market
- Supply/demand driven, competitive prices
- Security of Supply through diversity
- Sufficient investment signals

à Problems:

- National champions
- National interests dominate
- MS reluctant to agree to effective regulation
- Industry is better in lobbying than pro market forces
- High market concentration in MS
- State owned companies create powerful incentives against market opening for governments

Experience in the European Union



Resulting regulatory system:

- Regulation focused on national markets
- Structural deficiencies were not solved (high market concentration on national scale, political involvement in daily business etc.)
- National implementation insufficient to achieve working competition
 - *Vested interests of governments*
 - *No answer yet to increasing import dependence for natural gas*
 - *Market deficiencies further split Europe instead of allowing to jointly profit from „European“ sources (pipeline imports, LNG and European production)*
 - *Market remains split in 27 separate energy markets*

Status Quo



- à Monopolistic/oligopolistic structures remain in place
- à Need for periodic improvement of the regulatory framework (1st, 2nd 3rd package)

- à Sector inquiry clearly showed:
 - Either divestiture on a national scale or market integration to promote competition

- à Third package
 - Tries to resolve shortcomings of the existing directives
 - *Regulatory regime for transnational issues (new interconnection, access to interconnection, decision making for cross border issues, etc.)*

Possible Timetable



Can we afford to wait 4 years for lower prices in light of the economic crisis?

Major Challenges Ahead



- à Increasing energy cost because of higher environmental and climate policy related burdens

- à Greater difficulties to finance upstream investment
 - Deleveraging
 - Insecure development of demand
 - Political risk

- à Stable regulatory framework may contribute to reduce (some) risk
 - IF: properly implemented
 - IF: third package will not have to be improved soon by a „fourth package“

The Interim Period



We can start to work NOW

- Prepare new regulatory framework together with Network Operators

We can make progress within Regional Initiatives

- More transparency
- More efficient usage of interconnection
- Increase liquidity at trading hubs for natural gas

We can take liberalisation more seriously on a national scale

- Implementation of existing directives, including enforcement powers of independent regulators

Information



à Contact

Walter Boltz

Tel: 01 24724-201

Fax: 01 24724-900

Walter.Boltz@e-control.at

à Web-Adress

www.e-control.at



Thank You !