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Press Release

FOR IMMEDIATE ISSUE

EC plan for energy sector shake-up lacks clout on regulation

Brussels, 19 September 2007. UEAPME, the European craft and SME employers’ organisation, was left with mixed feelings by the European Commission’s “third legislative package” to increase competition and foster the creation of a workable internal market for energy, which was published today (Wednesday). UEAPME was pleased with the solutions envisaged by the EC on separating the operation of energy transmission networks from supply and generation activities, although it reaffirmed its preference for “full ownership unbundling” without derogations. However, the EC stopped short of introducing an independent European regulatory power, which according to UEAPME is a pre-condition to ensure a functioning energy market in Europe.

“The European Commission took a strong stance on unbundling, but it was not able – or perhaps it was not willing – to be equally tough in other areas such as regulation”, said **Gerhard Huemer**, UEAPME Director for Economic and Fiscal Policy.

Vertically integrated utilities, i.e. energy giants controlling both production and transmission, are the main factor behind market inefficiencies in the energy sector in Europe. These structures are able to keep prices high and shut competitors out of the market, to the detriment of millions of European consumers and small businesses. The European Commission therefore suggested a number of measures to separate these two areas of activity, either by breaking up production and distribution channels completely (“full ownership unbundling”) or by handing over the management of distribution networks to an independent operator (“Independent System Operator – ISO”). UEAPME reiterated its preference for the first option, while seeing the ISO alternative as a “second best” which can only work if backed by an extremely strong and well-crafted regulatory system – which is unfortunately missing from the Commission’s text at the moment.

In fact, the European Commission limited itself to suggesting the creation of a European Agency for the cooperation of Energy Regulators. UEAPME was not satisfied with this proposal, and deemed that the Commission lacked courage in not recommending a real European regulatory power. *“The ISO system will only work if it is accompanied by a strong and independent European watchdog. Uncontrolled system operators might otherwise be tempted to keep acting in a quasi-monopolistic manner, preventing real competition and simply continuing the rent-seeking activities that we have seen so far”,* continued Mr Huemer.

As far as third country operators are concerned, the European Commission wisely required that they comply with the same unbundling requirements as EU companies. However, UEAPME pointed out that the independence of external operators from any kind of political influence should also be carefully screened. *“Energy supply is a sensitive sector which can be easily used as an instrument of political pressure”,* commented Mr Huemer.

Finally, UEAPME called on the EU Member States to ensure a proper follow-up to the Commission’s proposal. *“The European Commission has shown today its will to ensure a truly competitive energy market in Europe. It is now up to the EU Member States to step up to the plate and demonstrate their good intentions. We hope that they will back the EC proposals, instead of watering them down to shelter national energy champions from competition”,* concluded Mr Huemer.

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EDITORS’ NOTES: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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