



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE

SMEs are not willing to pay for energy giants' extra profits any more

Brussels, 25 October 2007. European crafts and SMEs are not willing to pay the price of rent-seeking activities, monopolistic structures and lack of competition in the energy markets any longer. A serious shake-up of the energy sector is the missing link to the completion of the EU's internal market, according to UEAPME, the European craft and SME employers' organisation. The UEAPME Economic and Fiscal Affairs Committee, meeting in Brussels this week (Monday), adopted a position paper on the European Commission's "third legislative package" on energy markets (1). The document is adamant on the need to reduce the influence of vertically integrated energy companies, and supports the EC plans for "ownership unbundling" as well as for the "Independent System Operator" solution in specific cases. It also calls for an efficient regulatory system with a strengthened EU-wide dimension.

UEAPME stressed once again that in the majority of the EU Member States crafts and SMEs are still confronted with energy giants dominating the market and leaving no real choice on contractors for electricity and gas supply to small businesses. *"Higher prices for smaller customers create competitive disadvantages vis-à-vis larger businesses, all the more so in energy-intensive sectors"*, said **Hanns-Eberhard Schleyer**, Chairman of the UEAPME Economic and Fiscal Affairs Committee and Secretary General of ZDH, the German confederation of small and medium-sized businesses and skilled craft firms. The measures taken by the EU during the last years were not particularly successful, wrote UEAPME, which therefore welcomed the European Commission's latest efforts to enforce an effective separation of distribution and transmission from production and supply of energy.

In this respect, UEAPME reiterated its general preference for "ownership unbundling", i.e. a complete separation of these two strategic aspects. UEAPME conceded, however, that the less-restricting "Independent System Operator" (ISO) alternative, by which the management of distribution networks is handed over to a third party, could be more suitable in some Member States due to their specific market needs and structures and/or to political considerations. In this case, UEAPME insisted, the ISO system must be counterbalanced by a well-functioning and efficient regulatory strategy. Moreover, should the ISO system prove not to be sufficient to stimulate competition, full ownership unbundling must be considered as the only workable alternative.

As far as regulation is concerned, UEAPME repeated that it is now time to overcome the shortcomings of the existing regulatory system, which were also proved by the recent European Commission's inquiry on the energy sector. First of all, there are serious doubts about the real independence of some national regulators, which are biased in favour of national champions or incumbents. Secondly, they cannot always control cross-national or multinational suppliers. Strengthening their autonomy and sheltering them from the influence of publicly owned energy companies is therefore a key priority, wrote UEAPME. *"Regulators should be as independent as possible and must be empowered to enforce the correct implementation of European and national legislation. This is particularly true for transparency, which plays a crucial role for SMEs as it enables them to make an informed choice of suppliers, when alternatives are available"*, explained Mr Schleyer.

Last but not least, UEAPME called for the creation of a "European dimension" within the regulatory system. A regulatory power at European level should be allowed to enforce investments in cross-border transmission networks, to ensure market access to competitors from other Member States and to act as a "lender of last resort" to correct national regulators' decisions when they are in contrast with the existing legislation. *"We doubt that the EC-suggested European Agency for the Cooperation of Energy Regulators will fulfil these essential requirements"*, concluded Mr Schleyer.

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(1) http://www.ueapme.com/docs/pos_papers/2007/071025_pp_EnergyPackage_final.pdf

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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