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## Energy package: Luxembourg deal a bow to monopolistic national champions

Brussels, 9 June 2008 – The deal reached last week by the EU Energy Ministers on the so-called "energy package" is a huge step back compared to the initial EC proposals, a bow to Europe's energy giants and a blow to small businesses' hopes for a competitive internal market in the sector according to UEAPME, the European craft and SME employers' organisation. The Transport Council, meeting in Luxembourg last Friday (6 June), found consensus on a "third way" to deal with ownership unbundling, i.e. the complete separation of distribution and transmission from production and supply of energy. According to the compromise, energy behemoths will be able to retain control on both aspects through a watered-down alternative inserted by the Council in an attempt to save national champions from the break-up originally suggested by the EC and backed by UEAPME.

*"The disappointing agreement reached last Friday is the minimum common denominator between the positions of the different Member States on the issue. The Transport Council has severely diluted the spirit of the original Commission proposal, which aimed to create a workable energy internal market, for the sake of sheltering the rent-seeking activities of a handful of national champions", commented Gerhard Huemer, UEAPME Director for Economic and Fiscal Policy. "The 'third way' suggested by the Council, coupled with the unacceptable absence of a strengthened, EU-wide regulatory power, does not bode well for SMEs, which are still likely to be at the mercy of quasi-monopolistic structures and left with no real choice of contractors for electricity and gas supply", he continued.*

Under the terms of the agreement, Member States will be allowed to use the so-called "Independent Transmission Operator" (ITO) scheme as an alternative to full unbundling and to the "Independent System Operator" (ISO) option introduced earlier on. The ITO scheme will allow energy giants to keep the ownership of their energy grids, while handing over the management of day-to-day network activities to an "independent" body, which can also be a parent company. This will not reduce rent-seeking activities, commented Mr Huemer, especially since only national regulators, that have repeatedly showed a tendency for over-indulgence in the past, will have a say on the application of the scheme. The European Commission will then review this alternative two years after its entry into force, according to the consensus found.

*"It is now up to the Member States that backed the ITO scheme to really prove that it can make a change and improve Europe's energy internal market, which we doubt it will. We call on the European Commission to fully monitor the situation in those Member States that opt for ITO, and we will closely watch the developments ourselves", concluded Mr Huemer.*

\*\*\*\* END \*\*\*\*

**EDITORS' NOTES:** UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 86 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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