



European Federation of Public Service Unions (EPSU)

Press Communication – 13 May 2013

New study concludes EU's internal energy market remains a dangerous experiment and threatens climate change policy

(13 May 2013) A new study for EPSU finds that after 15 years of experimenting with the EU internal market for electricity and gas its inherent flaws are not addressed. The study comes as the European Parliament will be voting on the Jerzy Buzek (Polish conservative MEP) report later in May. His draft report is uncritically in favour of the internal market for electricity and gas as is the European Commission's Communication *Making the internal energy market work* (2012) 367. And also the European Council of 22 May will endorse the internal market again uncritically according to leaked documents.

Creating the internal market for electricity and gas has been one of the EU's key policies. EPSU commissioned a short evaluation of the proposals of the European Commission on the internal market from Steve Thomas, professor of energy policy at the University of Greenwich's unit PSIRU. Drawing from experience from the UK market, one of the first EU countries to experiment with competition in electricity and gas, it concludes that issues such as vertical integration of wholesale and retail markets as well as corporate concentration have not been addressed. Moreover, due to the characteristics of the industry such as long-term investment cycles, incomplete information for consumers and the public good nature of electricity it is doubtful that it would ever work.

Steve Thomas, UK energy Professor says: *"The EU model relies on a wholesale commodities market for setting prices, minimising entry barriers and providing investment signals. There is no evidence anywhere in the world that this experiment will work."*

The study considers:

- *Wholesale energy markets* looking at new plant orders, market processes, the UK Electricity Market Reform and how the European Commission's position is ill-informed about recent developments.
- *Retail energy markets*, reviewing the experience in the UK and criticising the way the European Commission considers energy tax issues. On regulated prices to protect users the author points out: "If consumers were as keen to be given choice of energy supplier as the Commission often implies and competitively set prices were more attractive than regulated prices that allowed cost recovery, the regulated prices would quickly wither away as consumers opted for more attractive competitively set prices. It is also inconsistent to advocate choice for consumers but to deny consumers the option of choosing a regulated tariff."
- *Corporate structure* considering how the 'seven brothers', the dominant European energy companies, have developed.
- On *smart meters*, a new key piece of the legislation to try to deliver on the competitive model, the study looks at the costs for consumers, time of day pricing, welfare issues (who actually benefits and how) and their role in retail competition.

It concludes with a useful table with comments on the recommendations of the European Commission to progress further on this ill-fated path.

EPSU's Deputy General Secretary Jan Willem Goudriaan: *“Workers in the electricity industry are losing their jobs from modern gas fired power stations to nuclear and investments in biomass and renewables are lagging. We need an urgent re-think of the EU internal market to provide long-term security, address climate change, affordable prices and ensure protection of domestic households and employment. We hope the study will assist in breaking the intellectual silence on a key EU policy”.*

You can download the study at www.epsu.org/a/9510

More work on energy from Professor Thomas is available at www.psiru.org

For more information on EPSU and energy please see www.epsu.org/r/34

For more information: Pablo Sanchez , psanchez@epsu.org 0032 (0) 474 62 66 33

EPSU is the European Federation of Public Service Unions. It is the largest federation of the ETUC and comprises 8 million public service workers from over 265 trade unions; EPSU organizes workers in the energy, water and waste sectors, health and social services and local and national administration, in all European countries including in the EU's Eastern Neighborhood. EPSU is the recognized regional organization of Public Services International (PSI).