



European Federation of Public Service Unions (EPSU) www.epsu.org
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New research highlights major flaws in European Commission energy policy

“Price volatility will lead to ‘intolerable life’ for consumers”

(21 September, Brussels) On the eve of the European Commission Public Hearing on European Energy Policy http://ec.europa.eu/energy/green-paper-energy/index_fr.htm, new research from the University of Greenwich reveals that the continued short-comings of the EU energy market are ‘structurally inherent’ and cannot be repaired by more competition, as European Commission President Barosso would wish. The **European Federation of Public Service Unions (EPSU)**, representing Europe’s energy workers, has reacted strongly to the findings. EPSU **deputy General Secretary Jan Willem Goudriaan** stated that; **“these studies show that simply put, the Commission model is designed to fail. Today’s hearing should face the glaring facts on EU energy policy. All the Commission wants is to use this occasion to issue new blindfolds to help ignore the evidence”**.

The two papers by **Professor Steve Thomas of the University of Greenwich** analyse prices and recent developments. Professor Thomas has considered the claims of the European Commission, the International Energy Agency and Eurelectric and concluded that **liberalisation does not lead to lower prices**. In the second paper he comments on the experiences of the internal market since his last review in November 2005. **Things have gone worse, not better**. The paper refers to recent experience with prices in the UK as well as Norway, two of Europe’s early open markets.

Extract from Professor Thomas’ study;

" If markets cannot be created, the standard pro-competition measures, such as breaking up dominant companies, forcing liquidity into markets will be counter-productive. Large, stable companies with strong capabilities, long-term strategies and good employment practices will be replaced by much less stable companies with little commitment to the long-term development of the sector. Liquid spot markets will make long-term investment so risky as to impose a substantial risk premium on investment costs, raising overall costs substantially. Liquid spot markets will also tend to generate a large amount of price volatility because prices will tend to collapse if there is a surplus and skyrocket if there is a shortage. **This will make life intolerable for consumers, especially electric-intensive industry and poor residential consumers, both of whom rely on predictable, affordable prices to survive.**" From *Understanding European policy on the internal market for electricity and gas* Evaluation of the Electricity and Gas Directives, Professor Steve Thomas, September 2006, University of Greenwich.

EPSU Deputy General Secretary Jan Willem Goudriaan added that; **“It is folly to build a European energy policy for secure supply and sustainable development on the malfunctioning internal market for electricity and gas. We need a plan B that ensures citizens are not ripped off by the large companies that Commission President Barosso favours”**. He continued: **“a stable future is an electricity and gas sector firmly under**

public control with regulated prices, fair returns on investment and guaranteed investments to deliver a secure and affordable public service."

For more information on the position of EPSU and research papers on the internal market for electricity and gas www.epsu.org/a/1465

To arrange for interviews with EPSU Deputy General Secretary Jan Willem Goudriaan or Professor Steve Thomas, please contact Brian Synnott at bsynnott@epsu.org or +32 474 98 96 75

EPSU is the European Federation of Public Service Unions. It is the largest federation of the ETUC. 8 million public service workers from over 200 trade unions are members. They organise workers in the energy, water and waste sectors, health and social services and local and national administration.