

# **SUMMARY**

## **Internal Market For Electricity in Europe**

### **“A New Era or a Dark Age?”**

This study was undertaken by EPSU and supported by  
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***EUROPEAN FEDERATION OF PUBLIC SERVICE UNIONS***  
***For Jobs and Public Services***

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## **SUMMARY**

The main findings of the study are:

### ***On Employment***

- A confirmation of the significant loss of jobs in the electricity and gas sector in the European Union. Based on European and national statistics over 250.000 jobs have been lost between 1990 and 1998.
- Based on company reports and announcements by companies a further reduction of jobs can be expected: 25% over a 4-5 year period. Several companies have adjusted earlier job-reduction projections upwards. These estimation might be conservative if one looks at the experience of the UK where 40-50% of employment has been cut.
- France is a notable exception. Limited opening of the electricity market is foreseen. Electricité de France, a public company seen by many in the industry as efficient and delivering a service at a very competitive price, has been able to improve working conditions through a 35 hour deal including employment prospects as part of that deal. It is also noticeable that French legislation to introduce the electricity market will ensure that the existing collective agreement will apply to all companies, including the new-comers.
- No positive effects on employment in other areas such as energy-intensive industries could be found. Any competitive effects will be outdone by similar developments elsewhere (mainly in the US). Positive effects on renewables are possible but only if the regulator plays a strong role and ensures investment in renewables, energy savings and energy efficiency. Some employment will be created in IPP's although this will add to existing over-capacity. Further employment opportunities exist in trading companies. These numbers will be very small however.
- Despite announcements by the Commission, our study could not find any specific measures addressed to the electricity sector to "mitigate" the negative impact of the Directives even though this was announced to the European Parliament.
- Employment is decreasing in electricity in Central and Eastern European Countries (CEEC) as well. This is on top of a sharp fall in employment in the coal sector.
- Regional implications of closures of power-plants can be significant where whole communities rely on the electricity companies being an important or even sole employer.
- Employers are reported as initiating labour cost-comparisons between companies in an attempt to put pressure on trade unions for wage reductions.
- A general trend towards out-sourcing of services is seen.
- Union officers have also noticed that companies aim to break out of sectoral agreements.
- Some new entrants in the market do not have a positive record of industrial relations.

### ***On Domestic Consumers***

Remarkable points include:

- There are companies that announced that savings are to be made on equipment and maintenance. Others reported that they will reorganise to concentrate on buying and selling as the core-business. The rest of their activities, including even transmission, are seen as supportive. Risk management and energy derivatives are new phenomena. This means a larger element of risk will be introduced.
- Concentration takes place leaving fewer and more dominant players in the market.
- Companies become multi-utilities providing more services.
- Europe's energy companies will go global, while US companies in particular will enter European markets.

## **European Federation of Public Service Unions**

- Together these points indicate that the opening of the electricity markets will put pressure on the public service (security of supply, access at affordable price) and the possibilities for regulation. Market failure will become more common.
- It will take a long time for prices to be reduced for domestic consumers.
- Strong regulation is needed to protect Europe's citizens. The scale of the task involved in regulating the competitive market is underestimated. Based on developments in the US and UK, this will quickly lead to regulatory bodies that are under-staffed and not prepared for there task.
- Civil society is largely absent from the regulatory bodies. Consumer groups, environmental organisations and trade unions are not reported as being involved with the boards of the regulatory bodies (with the exception of Belgium and Sweden) and often do not even have advisory or consultative capacity. The right to information and the right to participation do not seem to be guaranteed.

### ***Conclusions***

The often heard argument that the liberalisation will have positive general effects on employment could not be conclusively proven. What is true is that jobs are lost in the electricity sector and that this is not addressed by the European Commission.

Regulation appears too weak to prevent excessive profits, to ensure the public service and to protect citizens and business against market failure. It is a neglected issue. We also note that the regulation put in place appears to be un-democratic. Right to information and right to use the information and participate in the regulation are not mentioned.

## **Our recommendations**

### ***Employment measures***

- Most governments have implemented the Directive. Priority is to be given to addressing the employment situation of workers who are losing their jobs. This priority is in line with the European Employment Guidelines. Social measures need to be taken based on the use of Structural Funds, Adapt Programme etc. These measures are to be aimed at maintaining and creating employment and, where this is not possible, the focus should be on training and retraining, re-employment, early retirement...
- EPSU suggests the establishment of an Electricity Employment Fund that would assist employers and trade unions in taking initiatives to open new areas of employment, or to support re-training and re-employment measures. The Fund should be managed with the social partners in the electricity industry. They can evaluate the proposals and ensure a broad application of positive experience.
- The situation in Central and Eastern Europe deserves special attention. Long transition periods will be needed for the implementation. The European Commission and the World Bank (which is involved in providing so-called technical assistance) are to demand of CEEC governments that the trade unions be involved in discussions to restructure the electricity sector. Social measures need to accompany this process. Otherwise the support for European integration will weaken and it will merely be associated with job loss. As prices are likely to go up for domestic consumers coupled with a deteriorating employment situation, an explosive mixture will be created, which needs to be addressed by involving sections of society in CEEC
- European institutions providing financial support for the restructuring of the sector such as the EIB and the EBRD are to evaluate if unions and other groups in society have been consulted.

### ***Regulation***

- The second priority is regulation of the Internal Market for Electricity. The present framework and regulatory bodies are lacking in broad societal support. In several cases consumer groups, environmental organisations, or trade unions are not involved. The Commission must take initiatives to ensure that *right to information* from the regulator and the companies, as well as the *right to participation* in the regulation, are safeguarded. Without appropriate regulation security of supply, environmental protection, quality of the service, and affordable prices will be jeopardised in a liberalised market.
- Regulation is also a weak point in Central and Eastern Europe. The systems in countries in the European Union are regarded as models when they might not fit the specific situation of the CEEC. Several governments in CEEC are known to consider the UK model as an example, without being aware of its negative aspects and the review that is being undertaken at present in the UK. The Commission is to bring together the parties involved in regulation such as the industry, the large and small consumers, trade unions and environmental organisations, to consider the situation and the initiatives needed.
- The use of energy derivatives is to be explored. We believe a case can be made to limit their use altogether as these instruments bring more risk into the energy systems. Risk and speculation do not go well with the idea of security of supply. The Commission has to explore this.

### ***Public service obligations***

- Regulation is needed to guarantee the public service in a competitive market. We argue that public service obligations that have a direct meaning for citizens need to be further defined at European level. This can be done by reference to article 16 of the Treaty of Amsterdam. For the electricity sector these obligations should ensure that citizens have access to electricity to guarantee adequate warmth (definition of the World Health Organisation), a sufficient electricity current that can not be cut off and affordable prices. What needs to be prevented is fuel poverty. The Commission should define a European Public Service Charter and monitor these developments.