

aege

Asociación de empresas con gran consumo de energía

ESSA CONFERENCE

Stockholm, October 2004

Stakeholders

An association created in 1981 by 40 industrial groups to represent them in energetic topics

Cement, chemistry, metals, iron and steel, industrial gases, paper...

**15 % of the Spanish consumption of electric power
10 % of the consumption of natural gas**

More than 6.000 millions of € of annual exports

More than 1.500 millions of € annual of energetic exports

More than 75.000 direct employment

CEMENT	CHEMICAL	METALS	IRON AND STEEL	OTHERS
CEMENTOS ALFA, S.A.	ARAGONESAS	ALCOA	ACERALIA	AIR LIQUIDE
CEMENTOS COSMOS, S.A.	ERCROS	AT.COPPER	ACERINOX	OXINORTE
CEMENTOS MOLINS INDUSTRIAL	SOLVAY	CARB. DEL CINCA	ACE.INOX.OLARRA	PRAXAIR
CEMENTOS PORTLAND		ESPAÑOLA ZINC	CELSA	S.E. DE CARBUROS
CEMEX ESPAÑA, S.A.		FERROATLANTICA	GSB ACERO	TORRAS PAPEL
FINANCIERA Y MINERA			INFUN,S.A.	
HOLCIM ESPAÑA, S.A.			MEGASA	
LAFARGE ASLAND, S.A.			SIDENOR	
LEMONA INDUSTRIAL, S.A.			SID.BALBOA	
S.A.TUDELA VEGUIN			SID.SEVILLANA	
INDUSTRIALIDAD DE CEMENTOS Y MAT.DE CONSTRUCCIÓN DE ANDALUCÍA			TUBACEX	
UNILAND CEMENTERA			TUBOS REUNIDOS	

ACERALIA		Spanish associate of the first world steel producer. Over 75% of Spanish steel production
ACERINOX		Third world stainless steel producer. Plants in Spain, USA and South Africa
ALCOA		World leader in production of aluminium and alumina. The Spanish plants represent 20 % production of primary aluminium UE15.
ARAGONESAS		Present on the market from 1918. Exports 43% of production
ATLANTIC COPPER		First smelter of primary copper of Europe and fifth one of the world
CARBUROS DEL CINCA		
CARBUROS METÁLICOS		1 ^a Company in Spain, 2 ^a in Europe and 4 ^a worldwide in production, marketing and sale of chemical products and all kinds of industrial gases
CELSA		Family enterprise, first or the second metallurgical Spanish producer of its product lines Multinational from 2002.
CEMEX		First in Spain and third in the world
ERCROS		The existence of Flix's Factory goes back to 1897. Exports to Europe 65% of production
ESPAÑOLA DE ZINC		
FERROATLANTICA		Unique Spanish producer of ferroalloys. Means 30 % UE15 production and 5 % of world's Produces in Venezuela 20 % of its whole.
PRAXAIR		Third world manufacturer of industrial gases, with a quota of 13 %. Leader in Spain in oxygen, nitrogen, argon and CO2.
SOLVAY		World leader in production of caustic soda. Second European PVC producer. Torrelavega plant is world leader in productivity
		Multinational of Spanish origin
		Multinational of not Spanish origin
		Spanish company

Evolution from 1990 to 2000

Twice as much turn over

Three times export

More than two times investment

15 % better power efficiency

Manpower: Only 2% of reduction

Multinationals point of view

For the multinationals, Spain means:

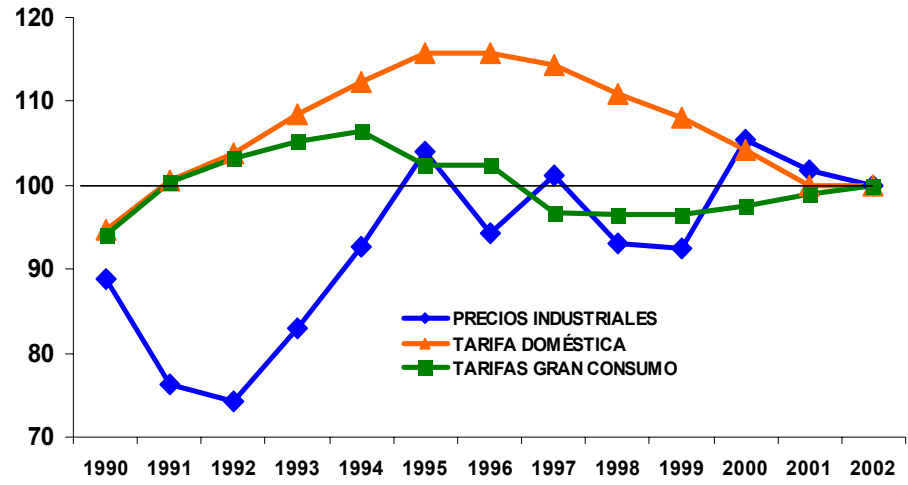
34% of UE15 turnover

14% of world turnover

Spanish plants are considered among the
more efficient of Europe

PRECIOS CORRIENTES INDUSTRIALES Y ELÉCTRICOS

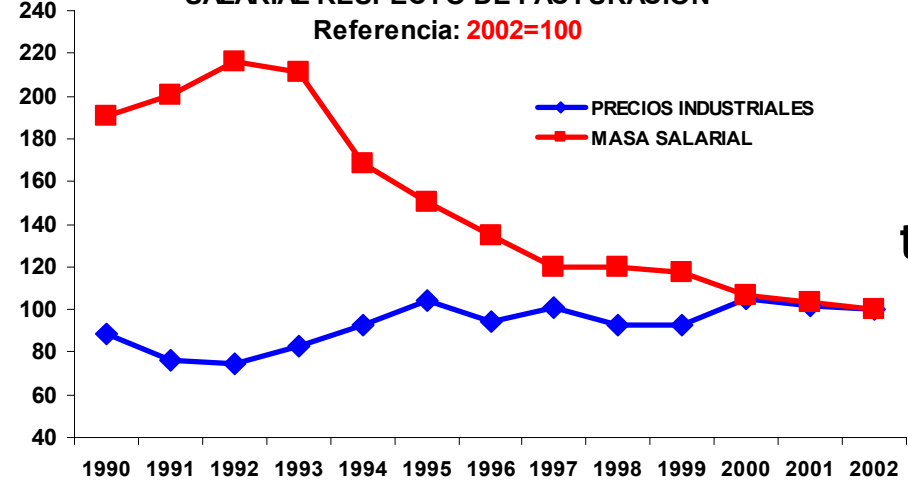
Referencia: 2002=100



- Included products:**
- Aluminum
 - Carbide
 - Caustic soda
 - Cement
 - Copper
 - Ferrosilicon
 - Plastic
 - Steel

PRECIOS CORRIENTES INDUSTRIALES Y MASA SALARIAL RESPECTO DE FACTURACIÓN

Referencia: 2002=100



**Industrial prices:
 competitiveness and stability
 thanks to the permanent effort in**

- Productivity
- Management
- Investment

**Electricity is a complex product,
raw material for many users and...
at the same time one of the
keys of the quality of life**

It is not stored, except in the marshes

It is transported badly

**Absolutely rigid demand in the short term,
and also in the long term for many users**

Problems in very different places:

New York

United Kingdom

Nordic market

Switzerland - Italy

Investment decisions are not accepted by the society

In market conditions safety margins became lower.

A disagreeable implication of this is that market integration is likely to stall at the regional level, so that each region remain largely isolated from the other regions”

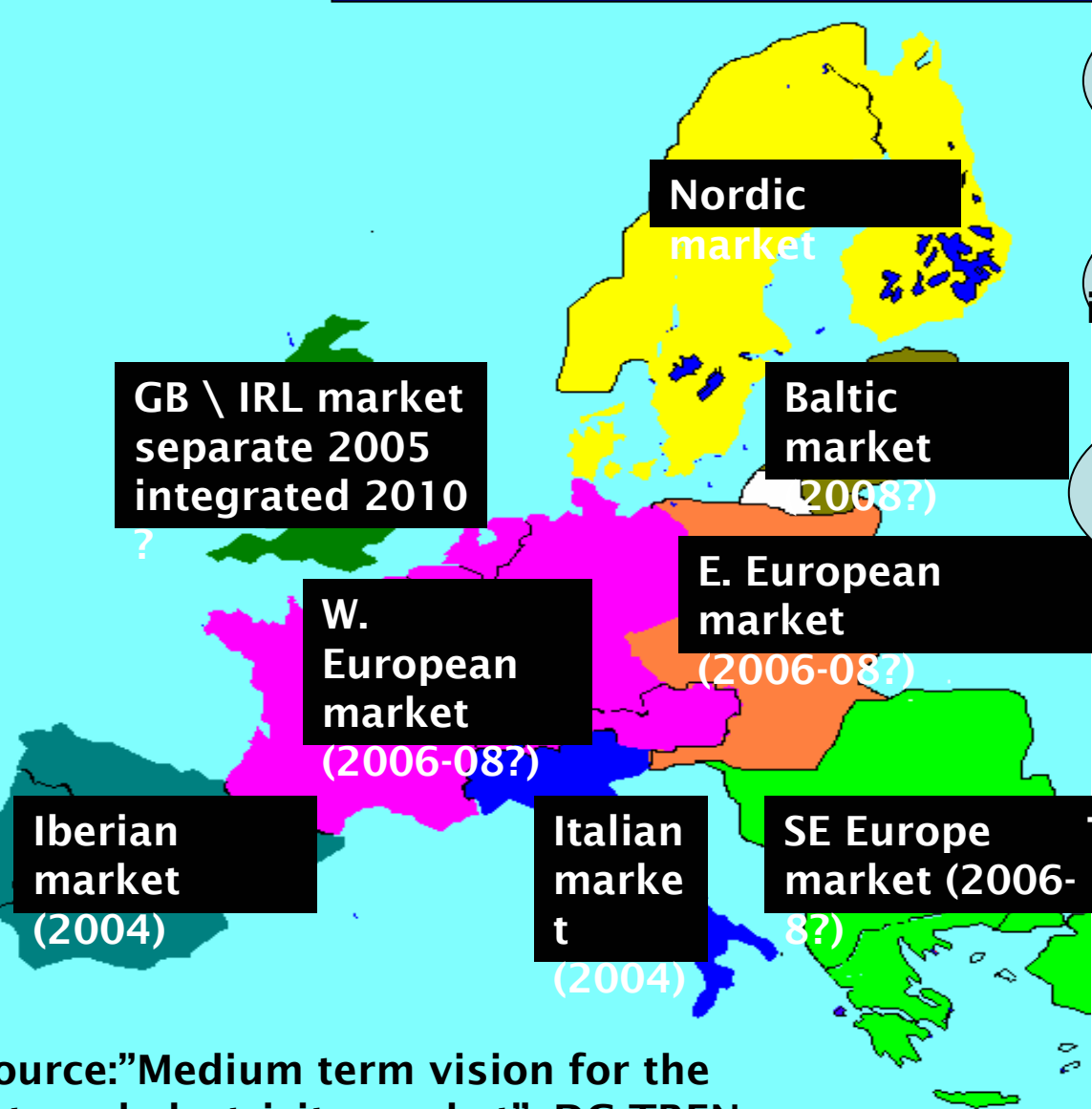
“This might not matter too much if countries evolve similar fuel prices and make similar technology choices, as that will equilibrate electricity prices, arguably at lower financial and political cost than massive investments in interconnectors”

Old markets needed producers and consumers in the same place at the same time

Nowadays market use information and transport enough

Without transport enough there is no competitive market

The EU Commission recognizes difficulties to reach a real UE market and propose to "start with" regional markets



In this case "Regional" means ISOLATED

A set of "isolated" markets is not better than ONE UE market

The Iberian market is not comparable in costs to the Nordic

The Iberian market will remain "INSULATED" until...2010?

The industrial consumer needs power at WORLD competitive prices

CONCLUSIONS

Eleventh Meeting of the European Electricity Regulatory Forum Rome, 16-17 September 2004

The eleventh meeting of the European Electricity Regulatory Forum took place in Rome on 16-17 September 2004.

Representatives of the regulatory authorities and responsible ministries of candidate countries participated in the meeting of the Forum with a view to assist these countries in preparing for full participation in the internal electricity market.

1. A competitive and sustainable electricity market

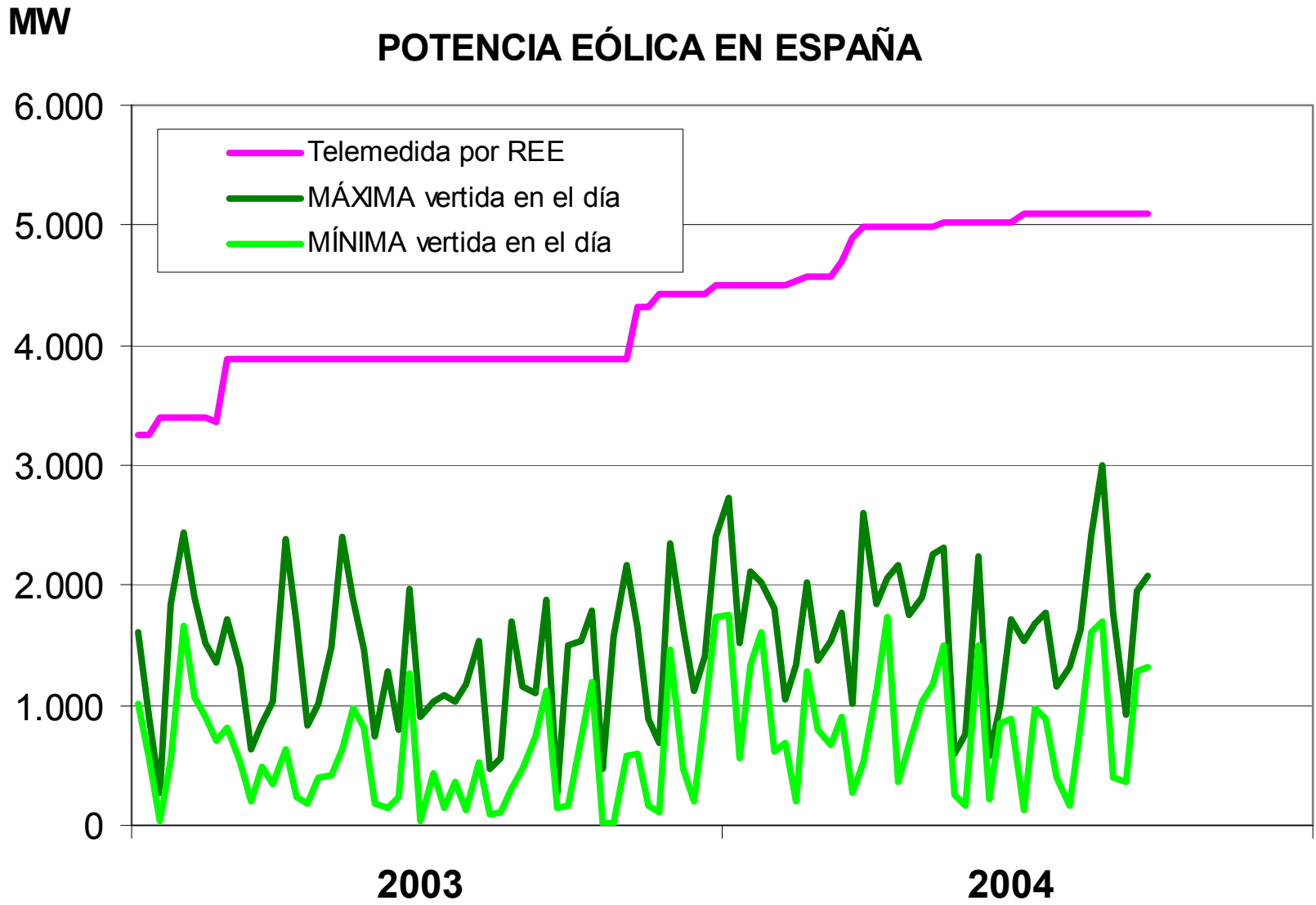
Director-General Lamoureux, whilst underlining the progress that proper implementation of the new package could potentially bring, pointed out the currently persisting limitations of the electricity market: transposition of the new directives in Member States is insufficient; market opening in Member States remain at the moment still rather asymmetrical; since the market opening process started the degree of concentration in the industry has consistently increased and there is a clear risk that the public will assimilate recent price increases in electricity with this ongoing concentration process; infrastructure

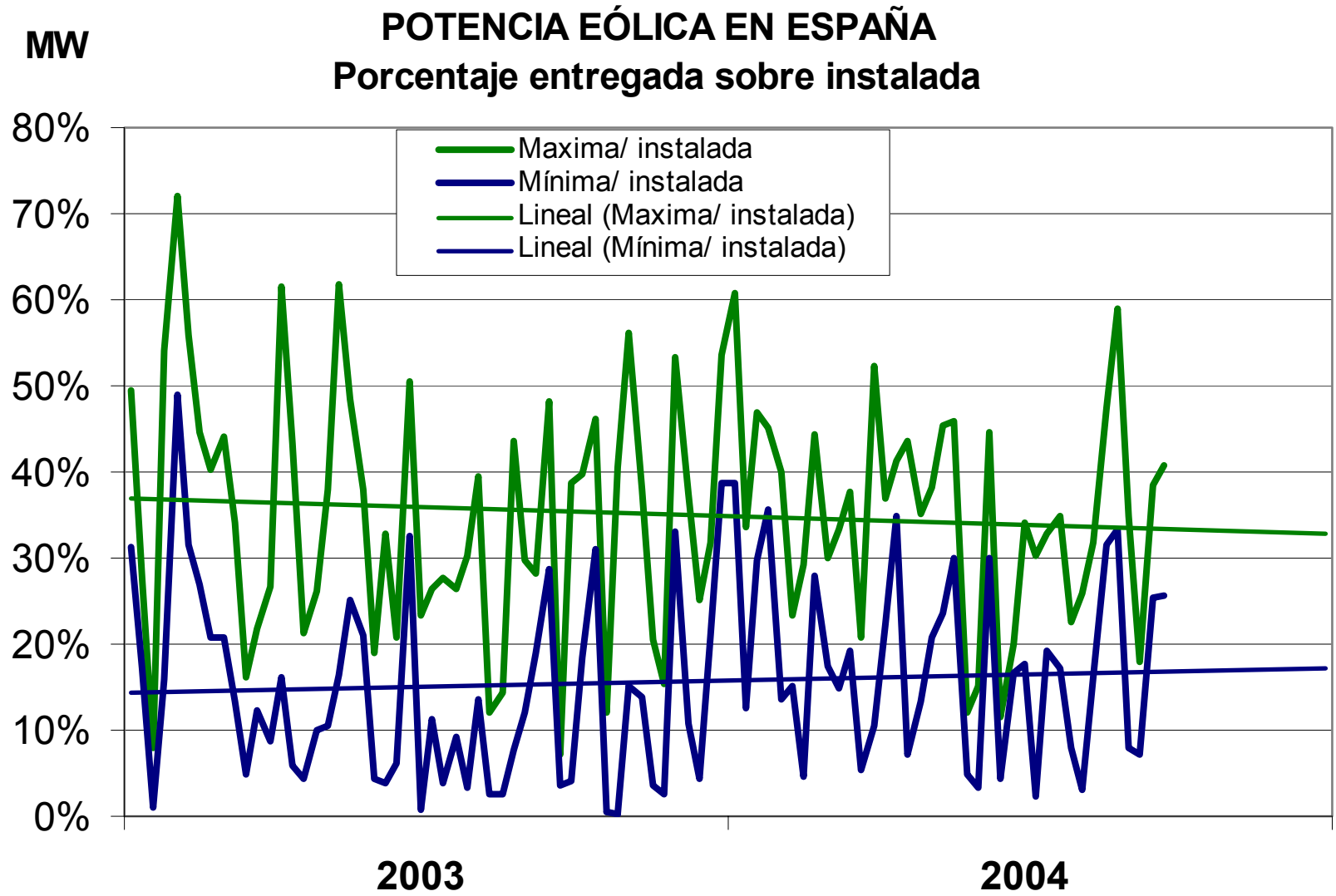
“As the output of wind energy (the dominant source of renewable generation) can only be accurately predicted a few hours before dispatch, it is important that market design does not create artificial barriers for such flexibility...

... Efficient use of international transmission capacity will allow international balancing and should further reduce intermittency costs”.

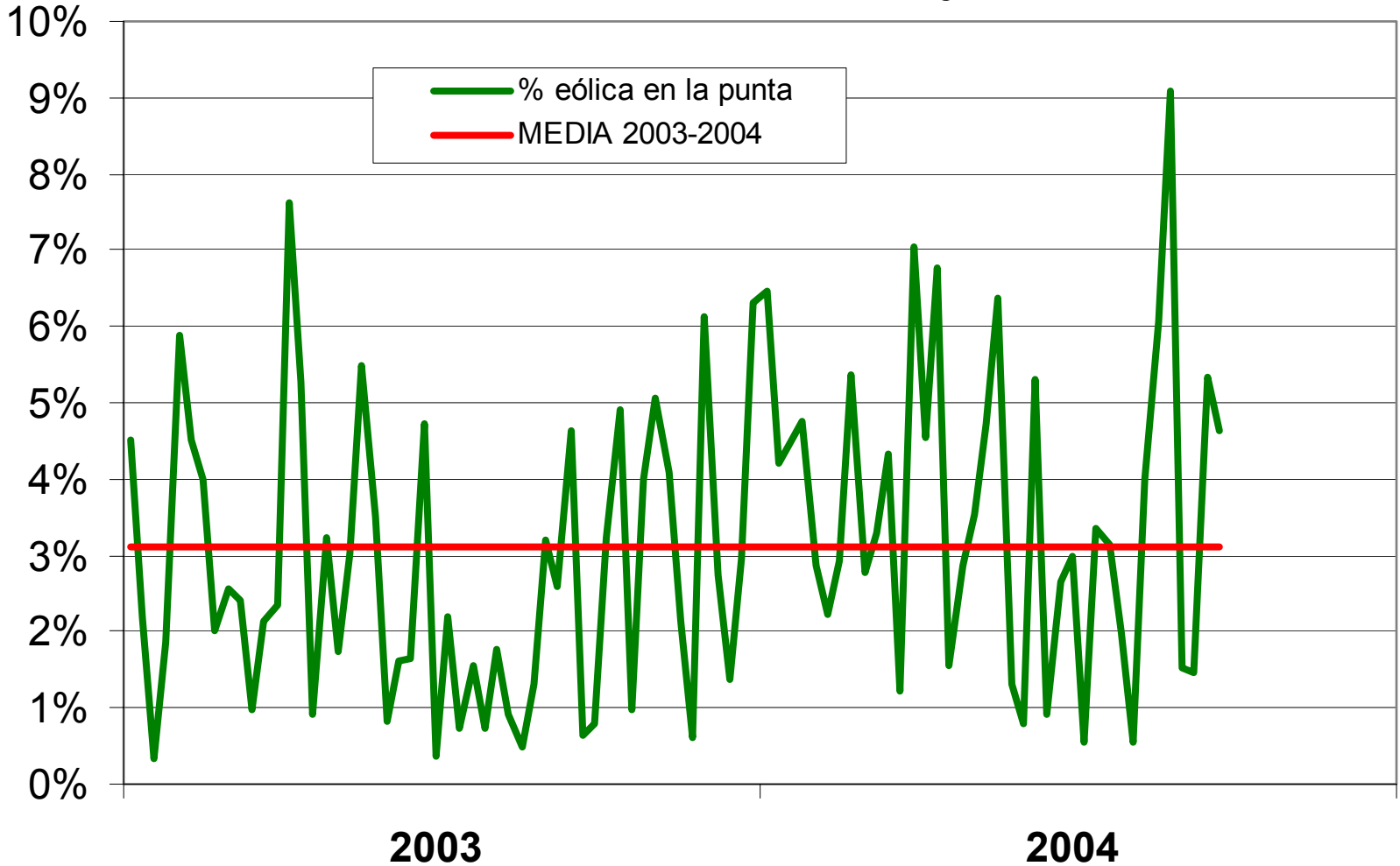
If international transmission capacity is not enough as is the real case, the necessary balancing shall come from the regional market level.

That means we need conventional generation, as big as windy power, working as spinning reserve to back up a lack of wind.



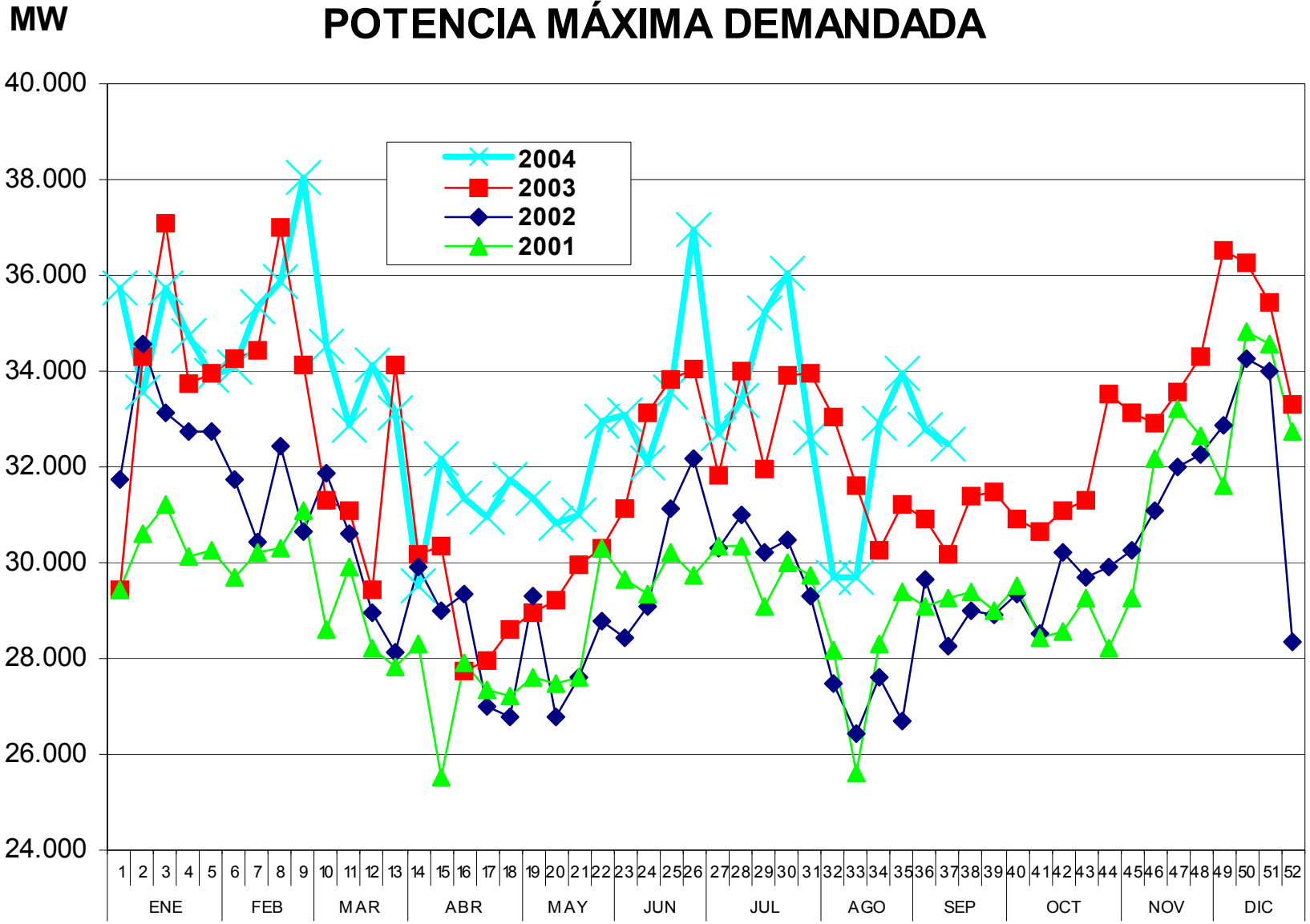


APORTACIÓN DE LA POTENCIA EÓLICA A LA PUNTA DE DEMANDA. Porcentaje



“Efficient trade requires efficient pricing and allocation of transmission, best achieved by nodal pricing on the PJM standard market design. The next best solution is market coupling.”

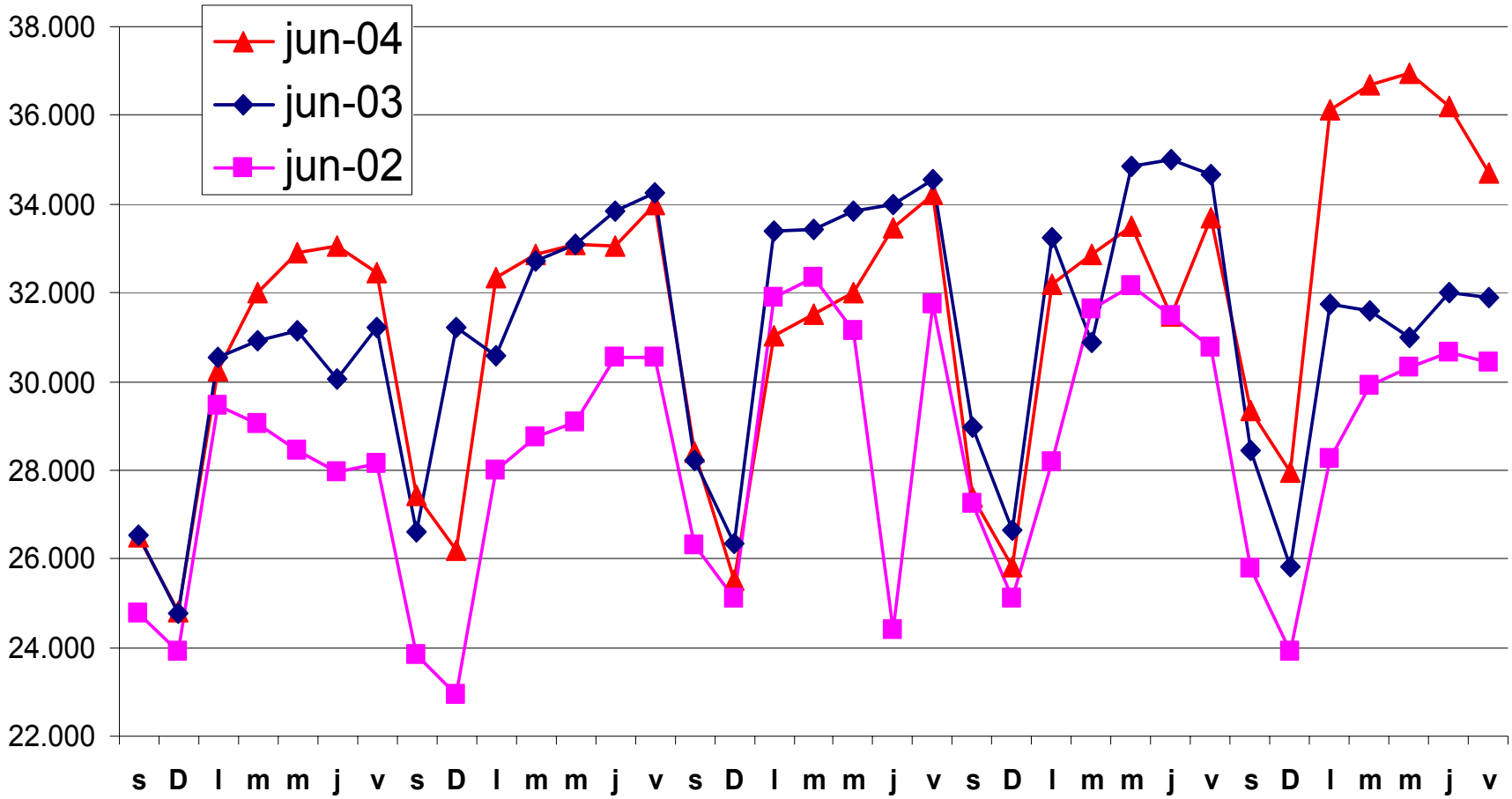
Efficient trade requires transport enough, to offer the client real possibility to choose or select efficient suppliers, wherever they are, AND EACH CLIENT RECEIVING WHAT IS ASKING FOR as in any other product



The HEAT effect: Peak hourly demand in Spain in June from 2002 to 2004

EL EFECTO DEL CALOR EN LA PUNTA DE DEMANDA. Fuente: REE

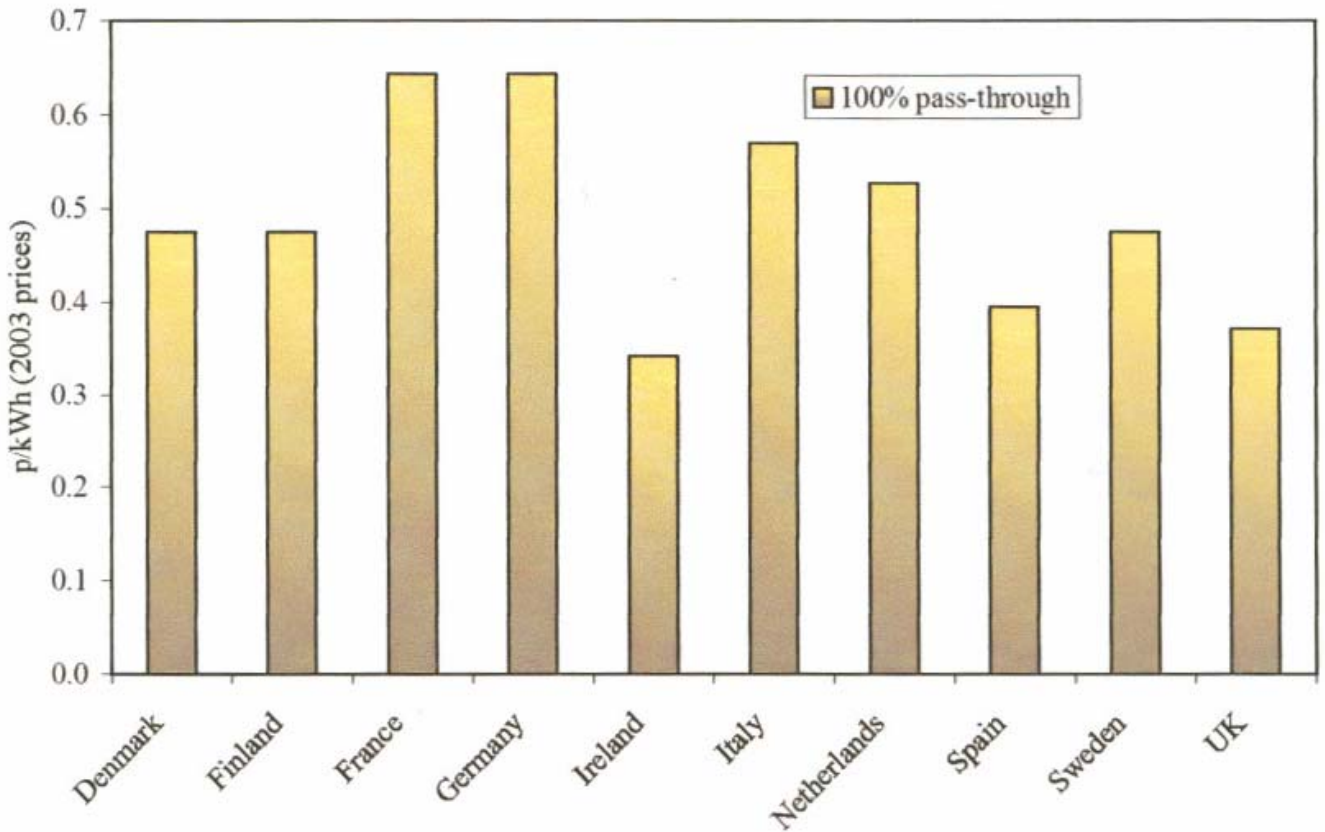
MW



“The main concerns are to do with distortions arising from the system of allocating emission allowances.... If allowances are allocated by type of plant they could also prevent the desired change in the merit order towards lower carbon-intensive plant...”

The main concern is the PRICE result of mixing Marginal ISOLATED markets, the electric ones, with a non yet existing market, the CO2 one.

Figure 22 – Impact of carbon on electricity prices in Europe in 2005



3.14 In France, where power is generated from nuclear stations, it seems paradoxical that CO₂ should affect wholesale prices. The reason is that we assume French prices will be driven by German levels. Transmission interconnection between France, Germany, Austria and Switzerland is well developed compared with interconnection between these countries and their other neighbours, so that together they form a semi-independent region for electricity flows. Power prices (for example the EEX in Germany, EXAA in Austria, Powernext in France) are in consequence well correlated.

SOURCE:
Report from ILEX to
UK Government

Authorities must understand that liberalize electricity is more complicated than liberalize steel, or bread, or...

So, authorities must insist on liberalization, looking for cheaper and better product for the users, industrial or domestic but, at the same time...

... authorities should maintaining control enough as to guarantee XXI century quality service for the citizens...

... realizing that citizens are demanding more and more, every day, where ever they live.

The people who take part in the SESSA forum are here trying to help the authorities

For that we, SESSA people, must keep very much in mind that liberalization of the electrical European market is not an academic essay, but a certain fact that is affecting the economy and activity of producers, transporters, distributors, traders AND CONSUMERS of electric power because the electricity is a commodity in a global market

...and, when defending the market as the best solution, we must be very careful because electricity is also a fundamental service for ALL THE CITIZENS in any modern way of living

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Thank you all very much
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Stockholm, October 2004

Stakeholders