

SESSA Conference

Next steps for implementing the internal market

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The future of the European electricity markets

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1. Key drivers for EDF

- New context
- Lessons from recent crisis

2. Key messages

- Need for coherent & stable policies
- Need for large electricity companies in competition at European level

Key drivers for EDF in electricity markets

Significantly different from the context of the 90's

1. The gas prices : today at twice their level of the 90's : CCGTs are no longer the « miracle technology »

↳ need for new investment upstream (pipelines, LNG terminals...)

2. Europe : the need to build 600 to 700 GW in the 30 years to come

(International Energy Agency Study)

↳ Depends on demand growth & investment in energy savings

↳ Need to renew half of existing power plants

3. Climate change and European Trading Scheme: CO₂ has a price

↳ We have to build CO₂-free or low emitting power plants

Lessons from recent electricity crisis (California, NY, Italy)

- 1. To improve the networks coordination in real time, and to develop the interconnections**
(see the Commission's Strategy Paper)
- 2. Clear and sustainable authorisation procedures for all the European players who want to build a plant in a European State, to avoid artificial barriers to entry**
- 3. To avoid price caps or regulated tariffs below the total costs of the most efficient new plants**
- 4. To anticipate security of supply issues linked to the tightening of environmental regulations**

Need for coherent & stable policies on the right time scale

- **2005-2015: learning phase of economic instrument use in Europe**
 - Re-enforced network coordination (operation & investment) on the European scale
 - ↳ Many suggestions from SESSA are welcome
 - Market rules that induce investment: electricity, gas, CO₂, energy efficiency
 - ↳ CO₂ market design: should give incentives to invest in low-emitting plants
- **2015–2040 : prepare major choices for energy efficiency, renewal of existing plants & fuel mix based on best available technologies**
 - ↳ Objectives: electricity security of supply and reduction of CO₂ emissions
 - ↳ Necessity of consistent national energy policies in Europe to avoid biases which might cause inefficiencies (e. g. regarding nuclear, renewables)
- **Beyond, prepare for the future : need for significant increased investment in R&D et new technologies**
 - Demand: new low emitting & “intelligent” uses
 - Supply: photovoltaic; nuclear G4; capture/storage of CO₂; H₂ & elec. storage ...

KEY MESSAGES (2)

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Need of European competitive electricity companies

To face new challenges

(electricity security of supply, climate change policies, market integration),

Europe needs strong competitors on energy markets

↪ Need of large players able to finance new power plants and to master total costs of complex technologies (coal, nuclear...)

Allow for performance from relative specialization (coal/nuclear/hydro... : see also current trends in USA)

Companies with large industrial and financial size can

- control the construction and maintenance costs of a diversified mix of power plants
- be insured against financial & market shocks (→ reduced risk premium)
- be in better position to negotiate with upstream highly concentrated sector (equipment and fuel suppliers)
- contribute to investment in R&D

↪ European market can be promoted through allowing for direct competition between large players

- With sufficient network: enlarge the relevant market to a vast zone (D – B – F – CH, etc.) → put several large electricity producers in direct competition