

# CAPIEL

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## Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy COM (2006) 105 FINAL

COTREL / CAPIEL HV contribution to public consultation

20 September 2006

### **Introduction of COTREL and CAPIEL:**

#### **COTREL:**

COTREL is a European Association whose Members are E.U. National Associations representing Transformer Sector interests in the following countries:

Austria, Belgium, France, Germany, Italy, Ireland, Netherlands, Portugal, Spain, UK.

In the case of defining the scope of membership of COTREL, Transformers are those with an input voltage greater than 1000 Volts.

These Transformers are typically sold to operators of networks concerned with the Transmission and Distribution of electricity, and also to industrial companies who use large quantities of electricity.

#### **COTREL represents:**

60 – 70 % of EU manufacturing capacity

More than 50% of the EU Manufacturers, and all of the large manufacturers.

More than 15,000 direct employees (30k including support organisations)

#### **and 2004 figures:**

€800m order intake, of which 20% is exported outside EU

#### **CAPIEL:**

CAPIEL, the Coordinating Committee for the Associations of Manufacturers of Industrial Electrical Switchgear and Control gear in the European Union, is a broad-based group that represents twelve national associations that comprise more than 550 manufacturers in Austria, Belgium, Finland, France, Germany, Italy, Netherlands,

Portugal, Spain, and United Kingdom.

Members of national associations represented by **CAPIEL** include small, medium and large-sized companies that in total employ in the order of 118,000 people directly in Europe, and have a combined turnover of Euro 18.25 billion. On average the 25% of their production in the EU is exported to non-EU countries.

**CAPIEL** and its member associations, covers a wide range of high and low voltage products and services essential for the operation, protection and control of the electrical transmission and distribution networks, from the power plant to the final consumer of electricity.

This position paper provides joint reply of COTREL and CAPIEL High Voltage section (HV) to the Commission's questionnaire in the context of the above mentioned consultation.

## **A. Competitiveness and the internal energy market**

### **1. In order to achieve the goal of a genuine single market, what new measures should be taken at EU and MS level?**

We believe that in representing a major manufacturing sectors in the EU, it is essential for the competitiveness of our companies that they should be able to rely on reliable, secure energy, which moreover is competitive. In order to attain this, a genuine internal market where providers of energy are able to compete is important.

We take the view that more cooperation between regulators is a precondition for improving the internal energy market. This in our view may not necessarily require the establishment of one sole EU Regulator, however natural groupings of segments of the market (perhaps Member States) may be appropriate for the Commission to encourage.

We do however believe that unbundling of network operation from production and supply should form a central objective of the long term strategy.

### **2. In order to develop a single European grid, what should a "European Grid Code" contain?**

We support a European Grid Code as a kind of minimum requirement for operation, technology, safety of personnel and public as well as security of supply. In our opinion this Grid Code should also improve the communication and automation technology of the networks in order to meet new demands, such as :

- more energy transport due to liberalized markets
- volatile and decentralised power generation
- increasing importance of power quality
- protection of infrastructure against natural catastrophes and terrorism
- improvement of energy efficiency of generation, transmission, distribution and in the households

### **3. Apart from ensuring a properly functioning market, how can the EU stimulate investments in infrastructure and generation capacity?**

We believe that besides providing the right framework conditions for developing a competitive internal market for energy, it is necessary for the Commission to have a long term policy that sets minimum standards for the balance of grid including the European interconnection transmission lines and generation capacity capabilities and life expectancies, to ensure that investment is made on a sustained basis to increase the security and maintain the quality of the installed physical capacity to meet the current and predicted needs of EU citizens and industry.

The EU can also investigate the current level of electrical Transmission and Distribution system losses, and set challenging targets for reduction of these losses. This would deliver both stimulation of investment, and a more efficient network in the long term.

For new technologies, funding for research or to overcome market barriers is necessary in order to achieve the aim of the green paper to support the European energy technologies and to create “leading markets”.

#### **4. How can it be ensured that all Europeans enjoy access to energy at reasonable prices?**

We believe that only through diversity of sources of supply and transit routes can sustained access be obtained. We believe that whilst there is a role for the Commission to have an overview from an EU perspective, that the long term benefits will be obtained by ensuring there is an open and competitive market.

Funding of development and research of new technologies (energy efficiency, new power generation, new storage technologies etc.) can be seen as an investment to achieve reasonable prices in future. Here we support the suggestion of the green paper for an EU Strategic Review. In our opinion this study should not only focus on generation and supply, but also power transmission and distribution. A complete system approach is required as changes like an increase in decentralised power generation must be considered in grid design as well. Also flexibility for future developments should be considered in such a system approach as the uncertainty for the development in future is high (e.g. development of prices for gas and oil, new dominate technologies may occur).

## **5. How can the internal energy market contribute to maintaining employment levels?**

We believe that a sustainable competitive internal energy market can particularly contribute to maintaining employment levels by ensuring low energy prices and thus increasing the competitiveness of industry, both in our sector and across all sectors.

The internal market should also recognise the contribution to be made by innovation and, prior to that, R&D. The internal market should be constructed to encourage innovation as a way of pulling through R&D into the market, in a way that would lead to innovative products that could not only contribute to the needs of the EU but could also be exported to non-EU markets.

## **Any other comments on the chapter "Competitiveness and the internal energy market"?**

We would suggest that there is perhaps a role for the Commission to act in a way that encourages the development of particular sources of energy, and suggest that the development of renewables and other novel forms of emissions mitigation technologies would be candidates for this intervention.

We would also suggest that the Commission ensures that Directives or other instruments created with a particular intent do not inadvertently adversely influence the development of the internal market, citing the Waste Directive as a possible limitation.

## **B. Solidarity**

### **6. What can the Community do to prevent energy supply crises?**

COTREL and CAPIEL believe that the Commission should:

- encourage appropriate investment in maintaining the current capabilities of networks, and encourage the adequate pool of trained labour to physically deliver that investment.
- Consider setting a security of supply standard applying to infrastructure to ensure that electricity delivery systems are robust and thereby avoid short term crises that have been experienced in recent years
- should ensure that the sources and transit routes of energy are diverse
- be prepared to take an overview and restrict themselves to intervene in a market segment to pump prime particular innovations that are believed will make a significant contribution.

### **7. Which measures need to be taken at Community level to manage energy supply crises if they do occur?**

It appears that security of supply is only discussed with the focus on gas and oil supply from abroad. The security of supply for electricity Transmission and Distribution has to be considered remembering the black-outs in 2003 and before. Given the new demands to the power networks the stability of the power system has to be considered as well.

## **C. Diversification of the energy mix**

### **8. What should the EU do to ensure that Europe, taken as a whole, promotes the diversification of energy supplies?**

COTREL and CAPIEL are of the opinion that the diversification of energy supplies must not exclude any energy source or technology.

## **D. Sustainable development**

### **9. How can a common European energy strategy best address climate change, balancing the objectives of environmental protection, competitiveness and security of supply?**

Such a European strategy should in our opinion

- focus on getting the widest possible international actions on climate change
- keep Europe at the forefront of energy technology and the policies needed to encourage change: we believe that given the right framework conditions it is through technology that solutions will be found that underpin Europe's energy policy. Our industry in the EU is at the forefront of the technologies needed to improve energy production, distribution and efficiency.
- promote conditions for competitive energy prices in the interest of a competitive EU manufacturing industry in the global market: Higher energy prices in the EU than in other parts of the world would only undermine the attractiveness of the EU as a manufacturing location.
- focus more on CO<sup>2</sup> and other greenhouse gases related to energy production than on energy per se in the interest of a balanced energy mix and security of energy supply: it is essential for many sectors of manufacturing to be able to count on secure and supplies of energy at competitive prices.
- carry out impact assessments on all new proposals, which take into account the international competitiveness of manufacturers in the EU.

### **10. What is important for the further development of clean and renewable energy sources in the EU?**

In general, we believe that Europe needs framework conditions that reinforce investment into renewable energy sources and other emission mitigation technologies. We support reinforcing Member State investments and to increase R&D efforts, possibly also within a Strategic European Energy Technology Plan.

## **E. Innovation and technology**

### **11. What action should be taken at both Community and national level to ensure that Europe remains a world leader in energy technologies?**

Such actions should include the establishment of the Strategic European Energy Technology Plan, referred to in the Green Paper, and the development of lead markets for innovation, which should in our view particularly apply thinking of integrated systems rather than individual products.

We believe that active engagement between the EU and the supplier base is important to channel suppliers R&D efforts to the overall goals of the Community.

We also believe that with enlargement the Community, through encouraging a judicious allocation of structural funds, has the opportunity of developing lead markets in the EU in hi-tech infrastructures which will support the development of these economies and the EU's jobs and growth agenda.

We see here a close relation to the European Technology Platform "Smart Grids". This ETP should be continued and the results should be realised consequently.

To be a global market leader the European manufactures of energy technologies need stable investments in their home markets as basis and reference. Therefore the industry is also interested in the necessary framework for required investments in infrastructure projects.

## **12. Which topics/technologies should an EU energy technology strategy focus on developing?**

COTREL and CAPIEL believe that in general it is important that an EU energy technology strategy should not discriminate one technology or source against another. In the interest of secure energy supply, we take the view that a mix of technologies to produce energy should take precedence over selecting individual ones and addressing individual topics only.

However where there is an emissions mitigation technology that with appropriate support could make a major impact and has the potential for export to non-EU markets, then that should be supported.

Further examples for technologies which are not mentioned are Smart grids, power quality and technologies to improve the trans-national grid stability (e.g. WAM Wide area monitoring or development of new storage technologies for electricity), communication, energy efficiency e.g. improvements in existing power plants or grids.

## **F. External policy**

### **13. What should be the priority of a common external policy on energy?**

As global market leader in many areas of energy technology, our industry welcomes the idea of closer international cooperation as this may develop increased export opportunities. European energy technologies are delivered with a high environmental

equipment standards including energy efficiency aspects. On the other hand the energy industry and its employees are highly dependent on the further global success of their products.

**14. How can the Community and Member States promote diversity of supply, especially on gas?**

COTREL and CAPIEL have no particular view on this issue.

**Any other comments on the chapter "External policy"?**

Given the importance that energy plays for all economies, good external relations with producer countries are an obvious prerequisite.

**G. European energy policy**

**15. Do you agree that there is a need to develop a new, common European strategy for energy?**

COTREL and CAPIEL agree with this.

**16. What should be the core principles of European energy policy?**

COTREL and CAPIEL believe that the core principles should be sustainability, competitiveness and security of supply.

**17. What should be the core principles of individual energy policy initiatives at Member State and regional levels?**

Same as 16.

**18. Do you think that greater attention to energy at both EU and Member State level can substantially help to achieve the goals of the strategy for growth and jobs (Lisbon process)?**

Yes.