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ELECTRICITY FOR EUROPE

Press Release

Vilnius, 06 June 2016

Electrification supported by digitisation, innovation and adequate regulation will accelerate the transition to a low-carbon economy

"Electrification is fundamental to long-term growth and to the transition to a low-carbon economy. Innovative technologies, combined with advances in digital solutions, create opportunities for progress, not only in the power sector, but also in the transport, buildings and other industrial sectors. Stable regulatory frameworks that adapt to the changing reality of the power sector are also needed," said EURELECTRIC President and CEO of EDP António Mexia at a press conference held on the side-lines of the association's Annual Convention taking place in Vilnius on 6-7 June. "It is clear that fostering the necessary investments in the sector enables electrification, thus creating the most cost-efficient path towards a competitive, low-carbon economy," he added.

Speaking alongside EURELECTRIC Vice-Presidents Jean-Bernard Lévy, Chairman and CEO of EDF and Alistair Phillips-Davies, CEO of SSE and EURELECTRIC Secretary General Hans ten Berge, President Mexia said that if the EU is serious about its climate commitments, policymakers must be prepared to embrace new trends and take a progressive approach towards creating the right market conditions for low-carbon technologies to flourish. "As electricity becomes increasingly low-carbon, replacing fossil based systems with electric technologies which utilise electricity from renewables and other low-carbon sources will provide a promising pathway to decarbonise the rest of the European economy." Electrification of the non-ETS sectors (such as transport, heating and cooling) is a technically and economically effective way to further enhance the contribution of renewables to the EU's decarbonisation objectives.

President Mexia also stressed the important role of the ongoing digital revolution in enabling energy companies to focus further on customer needs. By 2020, utilities are expected to be full service providers proposing new products, services and personalised offers (such as demand response, energy efficiency audits, home management programmes, bundled offers) to their customers. Digitisation will however only bring results if the regulatory framework is adequate. "This is regrettably not the case today. The growing share of taxes and policy support costs in customers' bills – representing as much as the energy element of the bill in 2014 - holds customers back from actively participating in the market", Mexia said. Policymakers should therefore explore how support for power sector-related policies can be minimised to be less burdensome on the energy bill. An evolution towards more capacity-based network tariffs should also happen to ensure that customers pay for the grid services they actually use and avoid the creation of a "consumer divide", where customers who cannot invest in distributed generation or energy efficiency have to pay for the costs avoided by those who can invest.

EURELECTRIC Vice-President Lévy warned that the reliable, affordable and decarbonised electricity supply expected by consumers is at risk. "Currently the market functioning is distorted and the system lacks signals for both short-term operations and longer term system adequacy and decarbonisation", he said. "COP-21 creates a momentum and the European Union should seize the opportunity to strengthen the ETS and create a stable framework conducive to investment and low carbon growth."

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EURELECTRIC Vice-President Phillips-Davies added that strengthening the EU ETS will provide a robust carbon price signal, meaning that emission reductions can be delivered cost-effectively without the need for additional measures which can fragment the internal electricity market. “As a technology-neutral, European wide instrument, strengthening the EU ETS can ensure the cost-effective decarbonisation of the European electricity system, and create a market pull for investment in low carbon technologies,” he said.

EURELECTRIC Secretary General Hans ten Berge stated that investment in the sector has become very risky with respect to all types of technologies, be it thermal generation, renewables, storage or demand response. “The electricity sector has become uninvestable. At a time where the sector needs to invest an estimated $2.2 trillion by 2035 to meet the EU’s energy and climate goals, this is a clear challenge. Europe therefore needs a future-proof market design, which ensures security of supply and allows delivery on the decarbonisation agenda,” he said.

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Note to Editors: EURELECTRIC is the sector association representing the interests of the European electricity industry at pan-European level. Its two-day Annual Convention and Conference takes place in June, in a different European city each year, and draws between 400 and 500 delegates from across Europe. This year’s Conference in Vilnius on 6-7 June discusses “E-lectricity - the power sector goes digital”. More information is available at: http://www.eurelectric.org/vilnius2016/.

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