



Enterprise and Industry DG

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European Industrial Renaissance requires competitive energy

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SPEECH

Speech

Ladies and gentlemen,

I am glad to be here today at this important annual event that has become a regular appointment for Commission representatives and from DG Enterprise in particular.

Moreover today we celebrate 25 years of IFIEC Europe, which represents a distinguished and useful voice in the multifaceted policy debate on climate, energy and industrial competitiveness.

Before starting my intervention, however, please let me first clarify one formal although still very important issue. You have certainly seen that, based on the programme of the event, I am supposed to present today the position of DG Enterprise and Industry ahead of the forthcoming European Council of June.

Well, I would say that the title is not correct and unfortunately it was not possible to clarify it

before the circulation of the conference material. Indeed, there is not such a thing as DG Enterprise's position and the one I will refer to is the position of the whole Commission as stemming from the comprehensive package adopted in January 2014.

I guess a correct title would rather have had to mention the Commission's proposals to integrate industrial competitiveness aspects and a revised climate and energy framework. This is the basis we rely on in view of the more political decisions which will be taken by Heads of State and government in June and in the months to come. The expectations of the whole Commission are associated with the hope that the proposals put forward so far can find the best possible implementation.

Of course, to come up with these proposals was not easy task. DG Enterprise, with its expertise and specific views has contributed proactively as

other DGs and the work has often entailed complex discussions. But the complexity of the work carried out makes the final, shared outcome even more appreciated and valuable.

Climate and energy policy and industrial policy and the issue of the competitiveness of our industries go hand in hand. This principle has been strongly reaffirmed, starting from the adoption by the Commission on the same day of the Communication on Industrial Renaissance and on the 2030 framework for climate and energy.

The comprehensive package adopted in January has provided a strong message about the intertwined nature of climate, energy and industrial policies and about the need to work to better define mutually reinforcing actions.

Decarbonisation of the economy, secure energy and reindustrialisation are equally important EU objectives and competitiveness in all its

dimensions must be the common denominator in defining and implementing all these policies.

The **Communication on a 2030 climate and energy framework** proposes ambitious EU targets in terms of Green House Gas emissions reduction and renewable energy sources while reiterating the key role of energy efficiency. At the same time, it recognises the need to avoid policy overlaps and to ensure the highest degree of cost-efficiency in policy intervention.

Moreover, it specifies that the impact of the EU's ambitious energy and climate policies require adequate protection of industry's competitiveness, including effective measures against carbon leakage.

The **Communication "For a European Industrial Renaissance"** highlights the central role of industry in sustaining economic recovery and boosting competitiveness and jobs creation. In this respect, the aspirational objective of an EU-

wide share of manufacturing in GDP of 20% by 2020 (currently 15.1%) was reaffirmed.

The Communication also highlights the better functioning of the internal energy market as a top priority. This implies better governance to avoid distortion of competition inside the EU, between Member States as well as between sectors. Better interconnections and coordination of the support schemes for renewables and back-up capacities are deeply requested.

The Communication and Staff Working Document on energy prices and costs in Europe stresses the importance of properly taking into account the effects and interactions of all the different policy and regulatory choices at the EU as well as Member States' level.

As it was already presented earlier this morning the analysis shows **significant disparities in price levels and trends across Member States, industries and even within industries.** This

heterogeneity stems from highly differentiated energy policies adopted at the national level and from the asymmetric impact of energy price regulations. More importantly, the analysis shows the existence of an increasing gap between European energy prices and the prices faced by the major competitors.

These findings raise strong concerns for both the proper functioning of the internal market and Europe's international competitiveness. In this context Energy Intensive Industries (EII) deserve special attention, not only because energy costs represent a large share of their total production costs but also because they produce highly traded goods, typically used as inputs to other industries. For this reason, the increasing costs of energy in the EU relative to its competitors, strongly affecting EIIs, may have also important indirect effects along the value chains.

An effective and sustainable 'energy transition' can only be ensured by an approach aimed at guaranteeing affordable energy for all users, appropriate financing and incentives for change in both consumption and production patterns, while sustaining competitiveness and the exploitation of new business opportunities.

For this reason, a systematic monitoring of energy costs (including their price and intensity determinants) and their impact on industrial competitiveness is essential.

The **European Council of last March** has already taken on board very clearly these concerns as well as the proposed way forward to seize opportunities. In its conclusions, the European Council stated that a coherent energy and climate policy must ensure affordable energy prices, industrial competitiveness, security of supply and the achievement of the EU's ambitious climate and environmental objectives.

In particular, it was stated that the new framework on greenhouse gas emissions, renewables and energy efficiency should be based on the following principles:

- further improve coherence, cost-effective manner, a reformed Emissions Trading Scheme playing a central role in this regard;
- advancing renewable energies and ensure international competitiveness;
- ensure security of energy supply for households and businesses at affordable and competitive prices;
- provide flexibility for the Member States as to how they deliver their commitments

Moreover, the conclusions explicitly call for **industrial competitiveness concerns to be systematically mainstreamed across all EU policy areas.**

In order to concretely ensure the follow-up to such important conclusion, measuring and monitoring

the impacts on competitiveness will therefore prove essential in the years to come. On this the dialogue with stakeholders, including of course IFIEC, and Member States will be of primary importance.

In addition, the European Council called on the Member States to further examine their different national practices on energy policy levies, tax components of prices and network costs, with the objective of minimising negative consequences for energy prices.

The policy debate is therefore more than ever a lively one. Informal meetings of Industry, Environment and Energy Ministers have taken place on 12, 14 and 16 May respectively, each with a specific focus from the overall package adopted in January.

Today, after a former discussion at the beginning of March, the Environment Council will meet again to hold a debate on the framework.

The European Council of 26/27 June will take stock of the progress made on all relevant issues, in particular on the actions the Commission has been called upon to take, such as the assessment of effort sharing of the proposed targets between MS, the review of the Energy Efficiency Directive, the assessment of a plan to reduce EU's energy dependence and of proposals to set interconnection targets, actions to develop measures to prevent carbon leakage and ensure competitiveness of Europe's energy-intensive industries.

Final decisions are expected only in October 2014 (next European Council) but priority elements will of course need to be decided until then, including the question of targets, the overall level of ambitions and the proposed governance structure.

The policy debate is therefore wide open but whatever decision will be taken at the end, it will necessarily need to be based on the core principle

of cost-efficiency, the identification of key policy instruments and options to ensure coordination between actions and all different actors.

Thank you for your attention.