Press release – April 21, 2015

Magritte Group calls for more convergence and integration in European energy policy

Today, CEOs from four major European energy companies – GDF SUEZ, Iberdrola, CEZ, and GasTerra – met with representatives from the three main European institutions (EU Parliament, the European Commission and the Council of the European Union) to deliver the Magritte Group's proposals for a renewed energy policy.

The assessment of the energy industry made two years ago by the Magritte Group is now widely shared. In particular, the European Commission's strategy on a European Energy Union marks an important step forward in this regard[1]. It is generally agreed that the European energy industry is facing massive challenges that will require greater European energy policy leadership.

Considerable room is currently being left for short-term national approaches, which only serve to widen differences between markets. However, businesses today have an increasingly European or even global presence, looking beyond national borders and searching for clear and fair rules across Member States.

By joining forces now, there is an opportunity to implement Europe-wide solutions for **efficient climate protection, security of supply and fair energy prices.** In order to achieve this revamped energy and climate policy, the Magritte Group suggests the following actions:

Efficient climate protection:

- **A far-reaching global agreement at this year's international climate summit in Paris**. The EU produces a mere 11% of the world's CO_2 emissions - and this share is forecasted to decrease even further in the future. While it is essential for Europe to ensure sustainable growth at home, it is even more important that it continues its efforts to reach a far-reaching global agreement.

- **An early start of the proposed "Market Stability Reserve" (MSR)[2] for the EU carbon market.** The carbon price has reached a level so low that it does not incentivize low carbon energy transition in Europe. In order to rectify this situation, it is crucial for the Market Stability

[1] NB : These topics will be discussed at the Council of Energy Ministers on 8th June and the European Council on 25th and 26th June

[2] What is the MSR ? : This amendment to the ETS Directive is a fully automatic and transparent mechanism that would operate entirely according to pre-defined rules to adapt CO_2 allowances supply to economic growth in Europe and to the impact of other policies and would improve overall functioning beyond trading periods. It should leave no discretion to the Commission or Member States in its implementation.

Reserve (MSR) to start from 2017, to put the back-loaded and unallocated allowances into the reserve and later on to consider structural reforms to the ETS (Emissions Trading System). In addition, overlapping policies and measures should be gradually removed. At present, the EU-ETS does not provide investors with an accurate investment signal which would favour low-carbon technologies. CO_2 prices are simply far too low and will not increase substantially if the system is not reformed. This not only puts our investments but also our credibility and our agreed 2030 goals at stake.

- Renewables development should be market-based, driven by the CO_2 market and competitive support mechanisms implemented at European level.

Security of supply:

- **For gas**: Exploitation of domestic energy potential, diversification of routes, storage and LNG capacities that help the creation of a more fluid, transparent and interconnected internal energy market should be our priorities. Commercial relations with energy suppliers should remain a company's own responsibility. Contrarily to ideas on grouped gas purchasing CEOs highlight the value of established commercial relationships with suppliers for the sake of security of supply. For that reason, they also advocate for ensuring the confidentiality of commercially sensitive information contained in gas supply contracts.

- **For electricity**: Regional approaches aimed at fulfilling an EU-wide framework for both cross-border participation in capacity mechanisms and security of supply cooperation between system operators appear to be a promising solution towards more EU energy integration. It will be necessary to identify, region by region, the main barriers to the Internal Energy Market completion and to look for harmonized approaches when tackling similar issues in different countries.

  Based on the above, it is now crucial to provide the electricity markets with sustainable signals that cannot always be delivered by the current short-term electricity markets. It should be recognised that a mechanism for long-term signals can also be opened to cross-border participation as a viable solution to provide investors with long term price signals whilst reducing the decarbonisation cost and allowing security of supply. However, such mechanisms should not distort wholesale markets.

Fair energy prices:

- **Energy bills should be fully transparent and cost reflective in all Member States.** High retail prices in Europe are the result of additional taxes and levies, and not of the cost of power generation or network components. The current high level of taxes and charges, which in some cases represent more than 50% of end customer prices, are reversing the recent positive steps taken towards market integration and price convergence between Member States.

The Magritte Group: a unique initiative in Europe

Since its launch in May 2013, the Magritte Group has offered its assessment of the energy market situation in Europe. The CEOs of the companies that make up the group aim to contribute to the debate by offering constructive proposals. Hitherto, there have been some promising results, particularly with regard to renewable support schemes and the carbon market.

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