ENERGY LIBERALISATION IN EU

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EU Energy Policy - 3 main objectives

Security and diversity of energy supply
Competitive prices and costs (single European market) via liberalisation
Environmentally benign use of energy

Principles of liberalisation

Unbundling: create competition among energy producers and energy distributors

Regulate the transmission (transmission grids are a "natural monopoly") via the establishment of a transmission system operator. Tasks include fixing prices for transmission, approving general sales conditions of producers, arbitration etc.

Legal basis in the EU

Directive to establish the internal electricity market (1996)
Directive to establish the internal gas market (1998)

What liberalisation should bring in the long run

More efficient energy use and less waste
Better services for end-users
Greater choice among suppliers
Lower prices
More rational use of energy ressources

Effects of liberalisation

Market opening in member states

- 100% in UK, Austria, Germany, Sweden, Finland
- 30%-100% in Denmark, Italy, Spain, Benelux
- Minimum 30% in France, Ireland, Portugal and Greece

Mergers among big producers

In 1999, there were 17 large producers in EU
In 2001, there are 11 lareg energy producers in the EU.
A merger wave took place in the market in 1999 and 2000

Prices rise

In the medium-term, price rises for energy are expected and took already place
A strict merger and competition control is therefore necessary to avoid oligopolistic tendencies

Overcapacity is reduced

The market opening leads to reduction of production overcapacity (more consumption due to lower prices for large users in a competitive environment).
Prices for short-term peak demand are expected to rise sharply in the short run

More choice for consumers

Main advantage is not cheaper prices, but the widened choice among producers and distributors.
A consumer will therefore be able to chose for example a producer who uses environmentally friendly energy

Key for success

Clear and transparent rules
Strict enforcment of competition rules
Enforcement of rules by independent bodies
Information of consumers (private, business) about possibilities to change the provider
In short, no liberalisation without regulation and control!

Where does Turkey stand?

AP short-term priorities

Programme for the adoption of the EU energy acquis (containing also laws on minimum energy efficiency standards, energy labeling, promotion of renewable energy ressources, statistics etc)

Establishment of an independent regulatory authority for gas and electricity and grant it the means to carry out tasks effectively

Prepare establishment of internal energy market and the opning up of markets

AP Medium-term priorities

Restructure energy utilities and open up further the various sectors

Strengthen administrative and regulatory structures

Complete alignment of national legislation with EU energy acquis

Next steps for Turkey

Recruit and train staff of the newly established energy board

Prepare secondary legislation on implementation of gas and electricity directives, give a timetable

Define a timetable for market opening

Establish a regime for constructing new capacity

Establish a regime for access to networks

Regime for utility unbundling

Next steps for Turkey

Develop methodology for the establishment of energy prices and tariffs

İmprove the financial discipline of energy utilities

Define public service obligations in the gas sector

Access to gas distribution system

EU assistance is available

Use of experience of EU Member States and other candidate countries in energy liberalisation

Via instruments of technical assistance, seminars, training and financial support (TAIEX)

European Commission is in contact with the Ministry of Energy and the Board, via the EUSG

Energy efficiency, renewables and security of supply acquis needs to be looked at by Turkey in detail.