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EU-27 fail to progress with interconnection target: Greens

EU governments have failed to make any progress towards achieving their 10% target of electricity grid interconnection, the European Greens parliamentary group said on August 16.

Reinhard Butikofer, vice-chair of the Greens/European Free Alliance and spokesman on industrial policy, urged the European Commission to press national governments to increase interconnection quickly.

In March 2002, at the Barcelona Council, EU national governments agreed to a goal of electricity interconnection equivalent to at least 10% of their installed production capacity by 2005.

"Eight long years later even this meager goal remains elusive," said Butikofer.

"A low level of interconnectivity not only obstructs the uptake of renewable energy, but also hurts competition in the oligopolistic electricity sector, ultimately hurting consumers, and it prevents the creation of a single European market in electricity," he said.

Non-binding target

In a written response to a parliamentary question put forward by Butikofer in June, EU energy commissioner Gunther Oettinger said the 10% interconnection target is a non-binding indicative target and many member states have reached the target.

However, he added that the target had not been met by some of the larger countries.

continued on page 2

France, Germany to cut energy use to meet renewables targets

Both France and Germany plan to cut their total final energy use as part of their strategy to meet their binding 2020 renewables targets, according to their national renewable energy action plans published by the European Commission on August 23.

France aims to cut its total final energy use by 7% on 2005 levels to 155.3 million metric tons of oil equivalent in 2020, while Germany forecasts a 14% drop in its total final energy use on 2005 levels to 197.2 million mtoe in 2020.

Both France and Germany expect to meet their respective targets of 23% and 18% using only domestic efforts.

In fact Germany is forecasting a potential surplus of 1.6 percentage points or reaching a 19.6% renewables share – which could be transferred to other EU countries as part of the cooperation mechanism in the EU's 2009 renewables directive. The directive set the binding national targets and flexible ways for meeting them, including statistical transfers between governments and joint projects with other governments.

France's strategy is a continuation of its Grenelle energy and environment laws developed since 2007 to promote energy efficiency and renewables. It aims to cut energy use in buildings by 38% by 2020 and at the same time increase its renewables output by some 20 million metric tons of oil equivalent compared with 2006.

It aims to increase renewable use in heating and cooling from 13.6% in 2005 to 33% (19.7 million mtoe) by 2020, in

continued on page 2

Highlights

EU net energy imports, energy intensity down in 2009: Eurostat 3
Poland-Russia gas deal to be signed next month: report 3
Energy chief Oettinger's outside interests 'beyond suspicion': EC 4
Germany finalizes gas access law 4
Germany's Vattenfall ends plant data reporting on its own website 4
Portugal announces Galp, EDP privatization plans 5
UK's CBI calls for energy reform push to secure investment 6
Italy to enforce offshore drilling ban August 26 7
US Senator wants EU to adopt similar OTC derivatives regulations 7

Features

EU sees single power market by 2015 8
Hands off our wood: The growing backlash to biomass subsidies 10

News

Competition 13
Electricity 19
Emissions 27
Gas 29
Renewables 32

Implementation

Electricity directive 36
Gas directive 38

Agenda

Brussels watch, Events 40

Failing interconnector targets

continued from page 1

"Italy, Ireland, Spain and UK still have a ratio of interconnectivity below 10% from those who adhered to the target in 2002," he said.

"The 10 % indicative target implicitly applies to the new member states (when joining the EU). Most of the new member states have already a reasonably high level of interconnection. Only three countries have very low interconnection: Cyprus and Malta because of their island situation, and Poland, because of the low import capacity with respect to the important North-South flows through the country," Oettinger said.

"The commission considers that an increase of interconnections between the member states is important especially to cope with the growing generation of electricity from renewable energy sources," he said.

He added that infrastructure and interconnection needs over the coming decades will be addressed in the forthcoming Energy Infrastructure Package, whose adoption is planned before the end of the year.

But Butikofer criticized the EC's stance on August 16 and called for more stringent enforcement of the targets.

"The commission is right in pointing out the importance of increasing interconnectivity, particularly for the Central and Eastern European member states, for whom this also has a relevant energy independence dimension. However, the commission has shown little ambition to push hard on interconnectivity in the past," he said.

"Hopefully, Oettinger will be able to translate the importance he assigns to the topic into concrete actions in the upcoming Energy Infrastructure Package. Making the slowpokes catch up will not suffice. Increasing the overall connectivity target must be part of the new approach," he said.

France, Germany renewables plans

continued from page 1

electricity from 13.5% to 27% (12.7 million mtoe) and in transport from 1.2% to 10.5% (4 million mtoe.)

To reach its binding 10% renewable transport energy 2020 target France plans to use mainly biofuels. But it also has a goal to have 450,000 electric vehicles using 1 TWh/year on the road by 2015 and 2 million using 4 TWh/year by 2020.

Electricity is the only sector forecast by France to see demand rise from 45.3 million mtoe in 2005 to 46.9 million mtoe in 2020. This 3.5% rise is expected mainly because of demand from new markets such as electric vehicles and heat pumps. Wind and biomass are to be the main supplementary renewable energies to hydropower.

Germany said the core policies needed to reach its target are already in place. It is forecasting a 20% drop in heating and cooling demand to 93.1 million mtoe by 2020, a 7% drop in electricity demand to 48.3 million mtoe and a 10% drop in transport demand to 48.3 million mtoe.

This helps to boost renewables' share in electricity from 10.2% in 2005 to 38.6% (18.7 million mtoe), in heating and cooling from 6.6% to 15.5% (14.4 million mtoe) and in transport from 3.9% to 13.2% (6.1 million mtoe). Germany plans to meet its 2020 binding 10% renewable transport energy target almost entirely from biofuels.

Germany is also working on an overall national energy supply strategy to 2050 to be completed by the autumn, and so it may update the forecasts in the 2020 national plan after that.

All 27 EU countries were required by the 2009 renewables directive to submit a national plan to the EC showing how they intend to achieve their binding targets by June 30. The EC had published 19 of them as of August 24. (Ireland, Italy publish EAPs, pages 34-35.)

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HIGHLIGHTS

EU net energy imports, energy intensity down in 2009: Eurostat

The European Union's net energy imports fell 5.7% in 2009 and energy intensity dropped for the sixth consecutive year, according to a report on the bloc's energy economy published by the EU's statistical office, Eurostat, on August 19.

The EU-27's total energy dependence rate (EDR) edged down to 54.7% last year from 54.8% in 2008.

"However, these figures should be examined in the light of the prevailing economic climate e.g. drop in demand or interruption of gas supply," the Eurostat report said.

Denmark, which became a net energy exporter in 1999, was the only EU country with a negative dependency in 2009. The UK, which became a net importer in 2004, continued the trend in 2009 with an EDR of 28.5% rising from 25.7% in 2008.

The report found that energy intensity (gross inland consumption divided by gross domestic product) dropped while GDP continued a general upward trend over the six year period.

"The decoupling of increasing economic activity from increasing energy consumption is a goal for sustainable development," the report said.

It said the bloc's primary energy production dropped 4.7% in 2009, the third consecutive annual decline.

Both natural gas (-10.1%) and hard coal (-9.2%) showed significant decreases, while renewable energy increased (+8.3%) and accounted for 18.4% of total EU-27 primary production, just behind natural gas with 19.3%.

Nuclear energy continues to hold the largest share of total EU-27 primary production at 28%.

The report showed that in 2009 the EU-27 imported natural gas from Russia (33.2%), Norway (28.8%) and Algeria (14.7%).

Crude oil and feedstocks came from Russia (30.8%), Norway (13.5%), Libya (8.5%), Saudi Arabia (5.1%), Kazakhstan (4.7%) and Iran (4.5%).

The main suppliers of coal remained Russia (30%), Columbia (17.8%), South Africa (15.9%) and USA (12.8%).

Poland-Russia gas deal to be signed next month: report

A much-delayed gas deal between Russia and Poland could be signed next month once doubts about its compliance with European Union regulations are removed, a report said on August 24.

"It seems that the questions related to the doubts from the point of view of EU law are close to be being cleared up," Mikolaj Budzanowski, deputy treasury minister, told the daily *Dziennik Gazeta Prawna* newspaper.

The European Commission has questioned the deal, which increases Russian gas imports into Poland from around 8 billion cubic meters/year to 10.2 Bcm/year until 2037, because third parties have no access to the transit Yamal pipeline which transports Russian gas through Poland to Germany.

The newspaper said the present operators of the Yamal pipeline, EuRoPol Gaz, a joint venture between Gazprom and Poland's dominant gas company, PGNiG, would be replaced on September 11.

The daily said the Polish state-owned gas transmission system operator, Gaz-System, would take control of the pipeline.

Under Polish law, Gaz-System, has to allow access to third parties.

Quoting anonymous sources, the newspaper said the deal could be signed by both governments by the end of September, erasing fears that Poland could face gas shortages this winter.

Poland gets 90% of its gas imports from Russia. PGNiG and Gazprom Export signed the existing long-term agreement in 1996. It is valid until 2022.

Poland is seeking a new deal because it lost 2.3 Bcm/year of supplies in January last year when its contract with Russian-Ukrainian trader RosUkrEnergo, was terminated as a result of the Russian-Ukraine gas dispute.

Poland was only able to meet its gas needs last winter because Gazprom temporarily increased its exports even though the new agreement had not been finalized.

Poland consumes on average 13-14 Bcm/year of gas. The country produces around 4 Bcm/year of gas from its domestic fields.

Currently the only alternative to Gazprom supplies for Poland is the country's sole gas pipeline interconnector, with Germany, which has a capacity of just 0.9 Bcm/year. Poland is planning to expand its capacity by 0.5 Bcm/year by the end of 2011.

The deal has been initialed by the Polish government but it still requires both countries to sign an inter-governmental agreement to come into force.

Wrapping up the agreement has been delayed by Poland's plans to build an LNG terminal for Qatari gas, prospects for the discovery of domestic shale gas, and questions about its compliance with European regulations.

Earlier this month, Poland's Prime Minister Donald Tusk said once the EC doubts have been assuaged the deal could be signed without amendment. But he said his government still has unresolved questions about the price of gas under the agreement and its duration.

Government split

The deal appears to have caused a split in the government. The economy ministry, which led the government's negotiating team, has warned that Poland could suffer gas shortages this winter if the deal is not signed by mid-October.

The foreign ministry has questioned both the deal's compliance with EU regulations and the volumes of gas agreed.

The deal, which ties Poland long-term to increased Russian gas imports, has been criticized by the country's main opposition Law and Justice party, and some experts. They argue the country only needs to seek a short-term solution because of its shale gas potential and the start of LNG imports from Qatar in 2014.

Energy chief Oettinger's outside interests 'beyond suspicion': EC

The European Commission has no concerns that Energy Commissioner Gunther Oettinger has outside interests and secondary sources of income that could conflict with his EC role, a spokesman for EC Budget Commissioner Janusz Lewandowski said at the EC's daily press briefing in Brussels on August 17.

Lewandowski's spokesman, Patrizio Fiorilli, was commenting on reports in German news magazine *Stern* that Oettinger, who was head of the regional government in the German state of Baden-Wuerttemberg before joining the EC, had made omissions in his declarations of interests and had subsequently had to revise his list of outside interests twice.

A German businessman and management consultant, Andreas Frank, has lodged a case with the public prosecutor in Stuttgart over Oettinger's interests.

"The declaration of interests of Commissioner Oettinger has been supplemented by additions that actually go beyond the requirements of the code of conduct and, as far as the situation is [now], Oettinger is free from any suspicion of conflict of interest. And I can add that in his declaration of interest he has documented that no conflict of interest for his current office arises from his previous voluntary activities," Fiorilli said.

All EU commissioners have to list any positions or outside interests they hold before taking office.

In a revised declaration of interests, which Oettinger signed on July 10, he lists additional roles including in the Stuttgart regional forum, from which had planned to stand down from before taking office, and roles on regional cultural and sporting bodies not mentioned in earlier declarations.

Stefan Biehl, a spokesman for the Stuttgart public prosecution service, Staatsanwaltschaft Stuttgart, confirmed to Platts that Frank had reported Oettinger to the prosecutor and was pressing charges. Biehl said the Staatsanwaltschaft was currently looking into the matter and whether there were grounds for charges.

But EC spokesman Fiorilli said it was not unusual for political figures to have such interests.

"I would like to add that, especially in federal countries where regions have a heavy role to play, it is absolutely normal for political leaders to actually be involved in sporting or cultural activities," the EC budget spokesman said.

Germany finalizes gas access law

The German cabinet has finalized all details of a new gas access law, which aims to improve competition in Germany's gas market, the ministry for economics and technology said on August 18.

Access to the German gas pipeline network has been difficult to obtain, particularly for new entrants, with required capacity not always available because of long-term booking practices, the ministry said.

"High gas prices show once again that open markets and transparent process are needed to create more competition," said Germany's economics minister Rainer Bruederle.

"I expect that the new gas access law will bring more movement into the so far rather slow German gas markets, which will also be an advantage for consumers," he added.

In order to press for further liberalization and competition the revised regulation sets out guidelines to reduce the current six German market zones over the next three years to a maximum of two.

The government said it hopes this will make interregional transportation of gas economically more attractive for new shippers. The current six market zones create extra costs for shippers that wish to move their gas across borders. This makes it particularly difficult for shippers with a smaller customer base to remain competitive, the ministry said.

The new regulation will also introduce open auctions as a common way to acquire capacities, thus removing a significant market access hurdle, the ministry said.

Under the current system shippers are able to acquire long-term capacity, blocking new participants from making bookings. This practice is particularly detrimental to new market entrants as it makes it harder for them to formulate attractive and competitive offers, the ministry added.

The revised law additionally aims to grant gas-fired power plants easier access to the German grid system. Operators of gas-fired power stations will have the right to book capacity for up to three years in exchange for "an appropriate fee," said the ministry.

The ministry said it is now finalizing all details of the new law which is scheduled to come into force a day after an official announcement in the German parliament has been made. The ministry could not immediately provide the exact date when contacted by Platts.

Germany's Vattenfall ends plant data reporting on its own website

German utility Vattenfall Europe has stopped publishing individual plant maintenance and generation data on its transparency website and is now pointing interested parties to German energy exchange EEX's transparency platform for that information.

"We have chosen not publish this data individually any more since it's published on the central transparency platform operated by EEX," Vattenfall Energy Trading spokesman Thorsten Ziegler said. "Coverage on the EEX transparency website has risen to 79% and now even includes solar forecasts," he added.

However, some market players criticized the move, saying that the aggregated form in which the EEX publishes the information is less transparent.

"EEX only publishes aggregated figures...so it's a loss of information, and therefore less transparency than before," one trader said.

"The EEX [transparency] website was actually encouraging up to four to five months ago," said another. "All the major producers were updating their data with utmost finesse and care. Now the forward data seems to be OK, but the day-ahead is useless. It used to be 100% [accurate]. It's a blow to transparency."

Vattenfall Europe decided in January 2008 to follow E.ON and RWE's lead in reporting individual plant data for its 15,000 MW portfolio, leaving EnBW as the only utility among Germany's four leading producers not publishing plant-by-plant data on its own transparency website.

In March 2010, Vattenfall Energy Trading's head of short-term dispatch management, Christian Frock, said more should be done to increase transparency in the German power market and that Vattenfall published more in-depth market information on its own platform than it is legally required to.

"Since we want to go beyond this statutory and voluntary EEX information, we continue to provide market data on our own transparency platform such as planned and realized generation per power unit," Frock said in March.

EEX and the four German transmission system operators launched the generation and consumption data platform in October 2009 to increase transparency in European energy trading markets.

"Our challenge at EEX was to present this data on a neutral platform in an aggregated, user-friendly but anonymous way," said Daniel Wragge, who is responsible for the transparency platform at Leipzig-based EEX. "The data we publish is based on statutory requirements and voluntary arrangements with the producers."

The four TSOs involved in the transparency platform are RWE's Amprion, EnBW Transportnetze, 50 Hertz Transmission, which Vattenfall sold to Belgian TSO Elia, and Transpower, sold by E.ON to Dutch TSO TenneT.

The TSOs and the exchange are responsible for the operation and financing of the platform.

Several market players have told Platts that the aggregated form of data on the EEX transparency website makes it difficult to get a complete picture of actual and forecast available capacity at individual plants.

In the French power sector, historically one of the least transparent markets for production data, the UFE electricity producers' industry body June 29 began reporting short- and medium-term plant-by-plant availability forecasts for units above 100 MW.

That data, published on the website of TSO RTE, covers 90% of French electricity production. By the end of the year, UFE plans to update the forecasts on an "almost real time" basis, or within 30 minutes of an unplanned outage.

RWE and E.ON continue to report individual plant data on their websites.

Merkel calls for more transparency

German Chancellor Angela Merkel meanwhile this month toured the country in a so-called "energy journey," informing herself about Germany's energy landscape. She visited a wind farm in northern Germany, on August 19 and later called for more transparency in European power markets after visiting Germany's only power bourse, the Leipzig-based European Energy Exchange.

"Energy history is being written here, in as much as the markets are being made more transparent," she said according to German state media.

Merkel also said she hoped the Franco-German exchange would become the European Union's main platform for trading power, gas and carbon emissions and welcomed the EEX's aim to develop a gas price index, independent of oil, as a further step for more competition, the report added.

Germany's anti-nuclear lobby plans a mass protest against a planned extension of nuclear run-times on September 18 in Berlin. The controversial debate has also led in part to a political renaissance of Germany's Green party, which together with chancellor Schroeder brought in the nuclear phase-out law almost 10 years ago.

According to the latest opinion polls, the Greens currently would get a record 20% of votes, which would enable them to form a government with the social-democratic SPD. Merkel's junior coalition partner, the liberal FDP meanwhile, dropped below the 5% threshold needed to gain any seats in the Bundestag at all, according to the weekly Forsa opinion poll for August 9-13.

Portugal announces Galp, EDP privatization plans

Portugal's government has announced further details of its planned privatizations of Galp Energia and Energias de Portugal, in form of the sale of convertible warrants, eking out the state's influence in the companies for several more years.

Secretary of state for the treasury, Carlos Costa Pina, told journalists after a cabinet meeting on August 5 that the chosen model, "will allow the state to maintain its position" in EDP and Galp "for at least seven years", retaining the right to vote and receive dividends.

It also looks to be a way of avoiding EU restrictions on special voting rights.

The move follows last month's controversial decision by the government to block a deal in which Telefonica of

Spain was to take over Portugal Telecom's stake in a Brazilian mobile phone operator jointly owned by the two. A majority of PT shareholders had voted in favor of the deal, yet the Portuguese state thwarted it by exercising a so-called "golden share" with a right of veto that the European Commission says is against EU rules.

The dispute between the two Iberian companies has since been resolved through a deal that also involves other assets, but the European Court has ruled that the golden share in PT, which remains in place, is illegal.

In a statement after the August 5 cabinet meeting, the government said "the choice of this mode of privatization has, as its objective, balancing a greater dispersion of the shares with the preservation of stability of the shareholder core, enabling [the state] to maintain the rights that come with ownership until the end of warrants' term." This is, it continued, "especially relevant from a strategic point of view and in the context of the evolution of the energy sector at a European level."

In the most recent version of its Stability and Growth Program, a multi-year financial and economic plan that EU member states are obliged to submit to the EC, Portugal's Socialist government foresees €1.2 billion ($1.51 billion) in receipts from privatizations to help pay off outstanding debt.

Opposition parties have joined forces in protesting the privatizations, with the radical, Bloco de Esquerda, saying the loss of influence in companies in this key sector "puts the country's future at risk". It called for the government to produce studies that show the sales to be to the country's advantage, and demanded to know whether Galp's current shareholders, which include Eni of Italy and, are to be offered preferential conditions.

The largest opposition group in parliament, the centre-right Social Democratic Party, has also criticized the government as not taking a strategic view of privatizations and as focusing solely on raising revenue.

The government lacks a majority in parliament and depends on the backing or abstention of opposition deputies to pass legislation.

In the case of Galp, up to 7% of the company's share capital is to be earmarked for the privatization, primarily via a domestic and international placement of the warrants, overseen by state bank Caixa Geral de Depositos.

UK's CBI calls for energy reform to secure investment

UK lobby group CBI said on August 9 the government must deliver key energy and planning reforms within six months or risk losing around £150 billion ($231 billion) of private sector investment in low-carbon infrastructure.

"The government's first few months in office have been rightly dominated by sorting out the fiscal deficit, but it must not let the timetable for energy and planning reform slip any further," CBI Deputy Director-General John Cridland said in a statement.

"Energy companies are unable to get the ball rolling on new infrastructure projects when it is unclear how the future planning regime will work," Cridland said.

In a report "Deciding Britain's energy future," the CBI said the £150 billion private-sector investment is essential for the UK to achieve a secure, sustainable and cost-effective energy mix.

This includes renewable sources of energy, nuclear power and fossil fuels.

By the end of February 2011, the CBI said it wants the government to tackle delays in the planning system and speeding up the development of carbon capture and storage technology.

The body also wants the government to provide more details on electricity market reform, its renewable energy policy, and the implications of the emissions performance standard, the lobby group said.

In response, energy and climate change secretary Chris Huhne said in the past there has been a lack of urgency, but that things have now changed after addressing the matter within 100 days of taking office in the first ever annual statement to parliament.

"We've already taken substantial steps. We've announced legislation this year to introduce the Green Deal for home insulation, we'll introduce a floor in the carbon price and set up a green investment bank to drive the needed investment, and we'll set out further proposed reforms of the market in the autumn," Huhne said.

"We're taking action across all technologies, and we'll introduce [a] new efficient, democratically-accountable planning system that provides a fast-track process for major infrastructure projects. This should take no longer than under the current regime," Huhne added.

More specifically, the CBI has called for the government to have announced the winner of its first CCS demonstration competition by the February target and to have got the competition for the remaining three projects underway, with consideration given to one being a gas-fired power station.

The CBI also wants preparation for new nuclear capacity to start, including deciding details of funded decommissioning and waste disposal agreements, plus the completion of consultations on a carbon floor price and on wider market reform.

The government must also propose ways to make the "green deal" financing mechanism work for households and companies, and simplified the Carbon Reduction Commitment to ensure it makes energy efficiency an incentive, the CBI said.

On gas, it said that the government must reconsider the tax treatment of gas storage in preparation for the 2011 budget, including the capital allowance tax treatment of onshore salt cavern gas storage.

Finally, the government must rule out changes to the North Sea tax system that would undermine investment, the CBI said, with North Sea fiscal policy recognizing the mature age of most fields and the forthcoming cost of decommissioning.

Italy to enforce offshore drilling ban August 26

Legislation to ban offshore drilling close to the Italian coast is to come into force on August 26, just as *EUE* goes to press, forcing a number of small upstream companies to revise their exploration plans.

At the start of July, Italy approved a decree to ban offshore drilling within five miles of its coastline and 12 miles around the perimeter of protected marine parks in the wake of the BP Gulf of Mexico oil spill.

The UK's Mediterranean Oil and Gas announced on August 13 that its Ombrina Mare field is located less than five miles from the coastline and therefore would likely be subject to the new laws.

Despite the announcement of the legislation coming into effect, Mediterranean said it would look to clarify the exact nature of the law, in case there were exemptions it could use to continue drilling at Ombrina Mare.

"It remains unclear whether the decree operates to prohibit further development of the Ombrina Mare field," the company said.

"The company, in conjunction with legal counsel, is therefore investigating the legal position."

Mediterranean said it would also request clarification from the Italian authorities regarding the interpretation of the decree in relation to the Ombrina Mare project, and would not rule out challenging the legislation.

"Pending receipt of formal clarification, Mediterranean plans to continue the current environmental assessment procedure, with the aim of securing the production concession. In any event, should the environmental assessment process be adversely affected by the decree, Mediterranean will consider possible action to challenge the decree," the company said.

Italian environment minister, Stafania Prestigiacomo, said in July the government wanted to make sure of protecting the Italian environment in light of the huge US Gulf of Mexico oil spill.

Other companies expected to be hit by the drilling ban are Ireland-based San Leon Energy and Petroceltic International, and the UK's Northern Petroleum.

US Senator wants EU to adopt similar OTC derivatives regulations

US Senate Banking Committee Chairman Christopher Dodd wants the European Union to adopt regulations for the over-the-counter derivatives market similar to those contained in the sweeping US financial reform bill he helped to create.

At an Atlantic Council event in Washington D.C. on August 4, Dodd (Democrat-Connecticut) said the OTC derivatives market is one area that could "run wild" if other industrialized nations do not adopt derivatives regulations like those in the new law signed by President Barack Obama on July 21.

He said that without similar regulations, "regulatory arbitrage" could be created as firms flee to other markets without such regulations.

"That's the one area that will be the hardest to get our arms around," Dodd said. "I would hope that the European community would join us."

Dodd said he met with EU officials in London in July to discuss new financial reform legislation EU leaders are considering.

The unprecedented regulation of the more than $600 trillion (€475 trillion) OTC derivatives market includes mandatory clearing requirements and oversight of the largely opaque market.

Dodd said that he was also "worried" that the new derivatives regulations could be weakened during the next 12 months' rule-making process.

In addition, he said that he fears exemptions for end-users in the derivatives portion of the law will be expanded and the derivatives regulations would be watered down since there is so "much at stake" in these markets and the lobbying effort to have them altered will be so intense.

Dodd and House of Representatives Financial Affairs Committee Chairman Barney Frank (Democrat-Massachusetts) were the architects of the financial reform legislation, known now as the Dodd-Frank Act.

Dodd said that although lawmakers have pushed for sweeping financial reform for decades, legislation to do so would not have passed without the financial crisis of 2008.

"But for the crisis this never would have happened," Dodd said. "It gave us the energy to get behind all of this."

EU sees single power market by 2015

The rising influence of European power exchanges and a nearly-finalized EU day-ahead target market model are set to transform the EU's wholesale power markets over the next five years. The next big test involves plans to couple two major regional European power markets before the end of this year. If all goes well, the EU's dream of a single power market could finally be within reach. **Siobhan Hall** reports.

By November 9 this year, the EU could see the day-ahead power markets of eight of its 27 member countries plus Norway linked in a way intended to converge prices and use interconnectors between them more efficiently. The planned "interim tight volume coupling" between the Nordic region (Denmark, Finland, Norway and Sweden) and the central west European region (Belgium, France, Germany, Luxembourg and the Netherlands) is being developed by power market participants and grid operators in the two regions, plus the Hamburg-based European Market Coupling Company. The EMCC already operates tight volume coupling on the Danish-German border.

The operators also plan to roll out full price coupling across the central west European region, which represents more than a third of European power demand and is connected to almost every other EU market, by the same date. This should be followed by the integration of the NorNed cable between Norway and the Netherlands into the system by December 14. These dates are subject to regulatory approval and the operators expect to confirm the first launch date by mid-September.

According to market operators an interim tight volume coupling measure is to be replaced with "an enduring price coupling solution covering at least the entire central west European and Nordic regions."

The project is being watched closely by policy-makers and industry for the lessons to be learnt and the potential to replicate it across the EU.

"I hope [it will be] a pilot case for complete market coupling in Europe," the European Commission's director for energy supply security and markets, Heinz Hilbrecht, told a Brussels conference focused on the EU's regional gas and power market integration initiatives in July. He called for full day-ahead and intraday market coupling by 2015 between all seven of the EU's regional power markets.

Coupling explained

Market coupling is a way to match bids and offers across two or more power exchanges by taking account of the available cross-border transmission capacity. Demand is met by the cheapest supply regardless of where it is produced, as long as there is enough available capacity to access it. This way of allocating capacity linked directly to trades is called an implicit auction. It means that traders do not have to think about buying capacity rights separately in explicit auctions. Where there is enough capacity, the price on all the exchanges should be the same. If there is not enough capacity, the price differences are limited by ensuring that available capacities are fully used.

Power exchanges can couple markets by price or volume using a common algorithm – a set of prescribed computerized steps for matching all bids and offers efficiently according to available capacity and market rules. In price coupling, the common algorithm used to match bids and offers determines both the prices in the different markets and the power flows between them. In volume coupling, the common algorithm only determines the power flows. The prices are set by the exchanges in a second step. This is generally considered to be less efficient than price coupling.

A successful example of price coupling is the trilateral day-ahead market coupling between the Belgian, French and Dutch power exchanges – Belpex, EPEX Spot and APX-Endex – set up in November 2006. In the first two years prices on the three exchanges converged 63% of the time on average, according to Belgian grid operator Elia's 2009 annual report. Convergence fell to 57% in 2009, partly as a response to falling demand in Belgium, which enabled it to export more, said Elia.

The Nordic region also has a successful, longer-established integrated regional power market. However, a key difference is that it uses only one power exchange, Nord Pool Spot, to service all four countries. This is called market splitting rather than coupling, as the regional market "splits" into separate price areas where there is not enough internal capacity.

The benefits of linking markets using either the coupling or splitting models are the same: increased liquidity, stable prices and more efficient use of interconnector capacity, according to Elia's CEO and president of EU power grid operators association ENTSO-E, Daniel Dobbeni. The rapid increase in renewable power generation is also providing a new driver to trade cross-border power quickly, Dobbeni argues. With the EU aiming to source 20% of its final energy from renewable sources by 2020, this driver can only get stronger, he says.

Target model in sight

No-one should underestimate the complexities involved in linking multiple power markets. In the central west European region alone there are three spot power

exchanges, five national regulators and ministers, seven grid operators plus traders. Linking to the Nordic region provides another layer of complexity, and this will increase with each new region added.

The solution is to agree a target EU market model for congestion management and stick to it, according to Dobbeni. "It is time to stop popping new ideas every six months. It is time to fix the target," he said.

The EU is getting closer to this goal. A cross-regional stakeholder group chaired by Finish energy regulator Asta Sihvonen-Punkka has agreed market rules for day-ahead and intraday trading, and is now working on governance issues. The group is working as part of the EU's regional power market integration initiative set up by the European energy regulators group Ergeg back in 2006, with the European Commission's support.

Congestion management is covered by the EU's 2003 cross-border power trading regulation and the specific guidelines annexed to it at the end of 2006. But this is not enough, according to Sihvonen-Punkka. "We need a target model to stop divergence," she said. All seven of the EU's regional power markets need to work to the same goal to avoid wasting time and sunk costs in mismatched developments, she added.

Sihvonen-Punkka said the day-ahead target model is "by and large" agreed and that Ergeg will put it into draft framework guidelines on capacity allocation and congestion management.

The wording in an early draft of these guidelines discussed by regulators in late June read as follows: "In the day-ahead timeframe, congestions shall be solved with implicit auctions and the application of a single price coupling/splitting mechanism which determines at the same time the volumes and prices in all coupled/split zones/countries.

"If there is not enough capacity between the zones, calculated zones prices will differ. In the above sentence, single means one algorithm calculating volumes and prices at a given place and for a given time frame. The mechanism shall allow for block bids."

Framework guidelines are one of the innovations of the EU's 2009 third energy market package. Requested by the EC and developed by regulators, they will undergo a two-month public consultation before providing the basis for grid operators to develop detailed EU network codes that can eventually become binding, ensuring EU-wide harmonized rules.

Markets not waiting

The EC has promised to present a first draft guidance on governance for day-ahead and intraday markets, looking at the legal roles, responsibilities and liabilities of all participants, at the EU's next Florence regulatory power forum in December. However, the markets aren't waiting for full clarification of the rules.

The project to couple the Nordic and central west European regions is now part of a wider integration initiative called the "price coupling of regions." This latter plan could cover 80% of EU domestic demand by 2013, if it finds adequate support and fits the EU governance framework being developed, according to European power exchange association EuroPex chairman Jean-Francois Conil-Lacoste.

There are six power exchanges behind the initiative – Scandinavian Nord Pool Spot, Iberian OMEL, Anglo-Dutch APX-ENDEX, Belgian BELPEX, Italian GME and French-German EPEX Spot. These exchanges represent all of "the most liquid power exchanges in operation" in Europe, said Conil-Lacoste, who is also CEO of EPEX Spot, a joint venture between France's Powernext and Germany's European Energy Exchange. Other power exchanges have expressed an interest in joining later, including the new Hungarian power exchange, which started in July, plus exchanges in the Czech Republic, Poland and Romania.

EPEX Spot, Nord Pool Spot and OMEL have already proved the technical feasibility of integration through successful tests of central coupling algorithms, according to Conil-Lacoste, and one of these will be selected according to criteria agreed by power exchanges and grid operators. "If we want to progress fast, lets not wait for [the Nordic-central west European link] to be established and wait for the others to follow this model," said Conil-Lacoste. "We have to try to accept differences [between regions] as long as they're not hampering the integration process."

Trilateral coupling – prices converge

	Average price (€/MWh)	Time prices equal (%)
2009		
France	43.0	
France/Belgium		70.5
Belgium	39.4	
Belgium/Netherlands		85.2
Netherlands	39.2	
2008		
France	69.2	
France/Belgium		84.5
Belgium	70.6	
Belgium/Netherlands		83.8
Netherlands	70.05	
2007		
France	40.9	
France/Belgium		89.0
Belgium	41.85	
Belgium/Netherlands		72.0
Netherlands	41.91	

Source: Elia

Conil-Lacoste said that central algorithms would be able to cope with linking markets from Helsinki to Lisbon, as the tests had covered a variety of products and situations. "I can't see any more diversity than that displayed between Nord Pool, OMEL and GME," he said. "I'm optimistic…We have at hand the solution [price coupling] that in a couple of years will enable us to cover the essentials of the power market."

The last Florence forum in June concluded that existing day-ahead and intraday coupling projects should not wait while the governance is worked out. As Hilbrecht put it, the work on the market model should continue in the background over the next four years. "In the meantime we should use the magnetic power which this cooperation between the Nordic and central west European regions will create to integrate step by step the other regions into a full market coupling with implicit auctions," he said.

No infrastructure, no market

However, even a fully agreed common EU market rule book may still not be enough to ensure full integration. "Without infrastructure, the market model will not fly," said Dobbeni. "There is still no solution to permitting problems. We are getting closer to the situation where lack of investment will have a major impact on policies." The EC plans to present a major package intended to promote energy infrastructure investment in November, but permitting – predominantly a local or regional responsibility – is likely to remain difficult to speed up using EU rules.

Dobbeni's concerns were echoed by power generator association Eurelectric's Gunnar Lundberg. He called for market integration and permitting to be a standing point on the agenda of EU energy ministers' formal meetings. He urged ministers to commit to improving planning and licensing "because without it integration won't happen physically."

Ministers won't act until they're convinced that the cost of not acting is greater, the EC's energy director-general Philip Lowe said. "There must be some degree of commercial interest to allow something to happen [at regional level] which is prevented at national level." He urged stakeholders to push ministers. "We want to create a sense of urgency [for integration]," he said. "A lot of what is needed at regional and EU level is crucial for our industry's competitiveness."

Of course, urgency is not something the EU – with 27 different national interests to coordinate – finds easy. The EU has more than doubled its members and processed three major packages of energy market opening laws since the EC first suggested a single EU power market more than 20 years ago. The most recent package only takes effect from March 2011. However, there is a sense that the end goal of a fully integrated EU power market is finally within sight. More importantly, there is growing consensus on how to get there, backed up by practical and replicable experience at regional level. The rest is implementation, the speed of which will be determined by the economic and/or political benefits to be gained.

Hands off our wood: The growing backlash to biomass subsidies

In what seems to be a recurring theme, the energy industry appears to have blundered into an agricultural market with the best of intentions and the worst of consequences. According to a series of reports commissioned by the Wood Panels Industries Federation, subsidizing the burning of wood for power generation will not only destroy the UK's wood panel industry but also raise carbon emissions, **Ross McCracken*** writes.

As the saying goes, the road to hell is paved with good intentions. That could certainly be applied to some of the unsustainable practices that have been attributed to biofuels production, to the debate over whether green subsidies create or destroy jobs, and to the phenomenon of wind farms being able to operate profitably even when wholesale electricity prices turn negative. It would appear that wherever subsidies rear their heads, a perverse economic consequence cannot be far behind.

This would now seem to apply to biomass-fired power plants. According to three new reports commissioned by the Wood Panels Industries Federation, the impact of the UK government's Renewables Obligation subsidy for biomass-fired power plants will be to put thousands out of work and at the same time actually increase the amount of greenhouse gas emissions produced. This is known as a lose-lose scenario.

The problem is very similar to that seen in the biofuels sector. Biofuel enthusiasts argue that biofuel crops will use marginal land or non-food feedstocks, but the reality is that — as for any crop — the best land produces the best yield, so the better the land the better the economics of the biofuel. Biofuels and food crops inevitably come into competition for land. Where, as in Brazil, the same crop can be used for either food or fuel,

Table 1. Carbon emissions for different import and end-of-life scenarios for virgin, recycled and lowgrade wood fibre (kg CO_2 per tonne of wood)

Wood Source	From	Wood Panel industry (with CHP)	Wood Panel industry (without CHP)	Into biomass plant
Virgin	UK (local)	378	453	1,905
	Import	656	731	2,183
Recycled	UK (local)	371	446	1,898
	Import	645	720	2,172
Low Grade	UK (local)	NA	NA	1,898
	Import	NA	NA	2,172

Source: UK Wood Panels Industries Federation

the one offering the best margin wins. Sugar cane gets processed into sugar or ethanol depending on the relative strengths of the two markets.

For biomass, the proposition was that the products used would be waste or in some way ‘spare’ or extraneous to existing biomass consuming industries. But the fact is that wood-burning power plants will compete for whatever wood suits them best. Moreover, the UK’s Renewable Obligation subsidizes the production of electricity from biomass and thus gives a financial advantage to power producers over and above all other users of wood. If wood is scarce, as the growth of a new wood consuming industry suggests it will be, then existing industries will be squeezed out on both price and volume.

If the UK is to achieve its 2020 targets for renewable energy, wood consumption will have to rise to 40 million tons a year.

Furthermore, the report on carbon emissions argues that the development of large-scale wood-fired energy plants in the UK will lead to a 1%, or 6 million ton, increase in UK carbon emissions. This would appear to be true in the short term, and thus has relevance for the UK’s 2020 renewables targets, because wood panel manufacture sequesters carbon for an estimated 40 years. It is less clear that the argument holds water beyond that.

Competition for wood

The WPIF’s conclusions are based on three reports. The first was commissioned by the WPIF from consultancy Europe-Economics and addresses the economic contribution of the wood panels industry and the competition it faces from subsidies for the renewable power industry. The report says that four companies make wood panels in the UK, directly employing 2,300 people. All are subsidiaries of overseas multinationals, suggesting a somewhat footloose nature.

Taking into account all the activities up and downstream of wood panel manufacture, the total number of jobs attributable to the sector is 8,700 full-time equivalent posts. Europe-Economics estimates a net 4,400 jobs are at stake, taking into account that some workers would be reabsorbed into the economy. Power plants will also start to buy the whole tree, the report notes, so there would be significant effects on the sawmilling industry too.

Wood panel manufacturers estimate that a UK Renewable Obligation Certificate is worth about £54/MWh (€65.94/MWh, $83.24/MWh), compared with a price of £25 for the requisite volume of wood.

A ROC’s value derives from two parts: its buyout price that is avoided by presenting the ROC and a portion of the buyout fund that is redistributed to the supplier that presents the ROC. For the year 2008/09, the buyout price was £35.76 ($46.40), according to UK regulator Ofgem, and the redistribution £18.61 per ROC. Co-firing biomass only receives half a ROC, but co-firing with CHP attracts 1 ROC, dedicated biomass firing 1.5 ROCs and dedicated biomass with CHP 2 ROCs.

If, the report says, the UK is to achieve its 2020 targets for renewable energy, wood consumption will have to rise to 40 million tons a year, as opposed to total wood panel industry consumption of 3-4 million tons a year. Large-scale biomass plants, as opposed to small-scale waste to energy plants, will create a disproportionate demand for the materials that form the essential input to wood panel manufacture. It remains unclear how much can be imported from sustainable sources abroad, but the WPIF says intense pressure on domestic supplies is inevitable.

Wood supply limits

The second study looked at the availability of wood fiber in the UK and in conjunction with the WPIF was commissioned by the Confederation of Forest Industries and the UK Forest Products Association. The report says that key to the development of the wood processing and wood energy industries will be the availability of 7-10 year supply contracts, as these are likely to be required to secure funding for the biomass-fired plants.

According to the John Clegg and Sons report, the potential availability of British-sourced wood fiber is forecast to rise in 2019 to almost 20 million tons a

year, before it starts to decrease. This is the potential "biologically" available and does not take into account cost, technical or planning constraints. What is commercially possible will be less.

Demand will start to exceed supply in 2012 and is expected to double in size to 50 million tons per annum in the five years from 2012 to 2017. Most of this additional demand – 27 million tons a year – is expected to be from wood for energy and up to 10% is expected to be sourced from the UK. "This total would exceed the potential availability of British sourced wood fiber and almost equal the present size of the global wood fiber biomass trade," the report says.

Although burning wood is "virtually carbon neutral over the lifecycle in comparison with fossil fuels, when compared to wood panel manufacture it is a significantly greater source of CO_2 emissions."

The third report was prepared by environmental consultancy Carbon River and addresses the net carbon dioxide emissions resulting from various uses of wood. The report was again commissioned by the WPIF. It says that although burning wood is "virtually carbon neutral over the lifecycle in comparison with fossil fuels, when compared to wood panel manufacture it is a significantly greater source of CO_2 emissions." It says its analysis "clearly shows that the carbon footprint for any form of biomass combustion is significantly greater per ton than wood panel-related activities."

The difference in emissions is largely the result of the biomass combustion stage. According to the report, one ton of timber has absorbed 1,747 $kgCO_2$ during its lifecycle. Net emissions from burning virgin timber are 157 $kgCO_2$, while burning recycled timber produces 1,898 $kgCO_2$. In comparison, net emissions for wood panel manufacture are negative 1,295 $kgCO_2$ and even lower if the plant uses Combined Heat and Power.

As a result, displacing wood panel manufacture with wood burning for power generation will result in an increase in emissions. The report says, "if the UK biomass industry were to displace the UK wood panel industry as primary consumers of 4 million tons of UK sourced timber, the net CO_2 emissions for the UK would rise by 6 million tons – more than 1% of the UK's reported emissions in 2008."

This appears to be the case over the forecast period because wood panel manufacture is considered to sequester the carbon for 40 years. Carbon River is treating wood panel manufacture as a carbon sink. It makes a point regarding the UK's 2020 targets, but it might be fairer to consider the wood panel's entire life cycle. When it is thrown away or burnt it will release the carbon it contains, although a diminishing portion of it could perhaps be recycled almost indefinitely. In terms of harvest to product, the process of wood panel manufacture involves 378 $kgCO_2$ per ton of timber emitted, while for burning it involves 148 $kgCO_2$. Its eventual decomposition, whether fast, as in combustion, or slow, in a land fill, should result in the same amount of emissions.

Unintended consequences

The destruction of the UK's wood panel manufacturing industry was almost certainly not one of the intentions of the ROC system, and it is not specific to that particular type of incentives scheme. A feed-in tariff might be expected to have a similar impact. The WPIF in short has a legitimate complaint that it faces a competitor for its raw materials solely as the result of government policy.

Subsiding wind farms to let them compete against fossil fuel power plants has an obvious logic. In theory at least, it reduces emissions, and possibly fuel imports, depending on circumstances. There are no relevant secondary markets attached apart from steel, but the size of wind turbine manufacturing is small overall compared with the size of the steel market.

Solar is interesting in terms of its use of rare earth metals and their future availability, but again solar does not appear to be encroaching on established markets. It has, admittedly, taken a number of years for the pressure on the silicon industry to ease, but silicon is abundant and not 'biologically' constrained.

However, when it comes to biomass of almost any form, policy makers and energy industry entrepreneurs and investors might have been somewhat naive in not recognizing that energy was muscling in on well established and relatively efficient markets. This has been nuanced with overstatements of the availability of suitable land and the idea that agricultural markets have large amounts of 'waste' of one form or another.

When it is food or fuel, it is easy to come down on the side of food. When it is wood panels or renewable energy, the equation is less black and white. But the comment that future UK demand for wood fiber would "almost equal the present size of the global wood fiber biomass trade," suggests further problems ahead. The UK is by no means alone in incentivizing wood for electricity production, and it is already assumed that 90% of the expanded UK demand will be sourced (sustainably) from abroad. The UK may not be the only country in which other wood users start to feel the pinch.

**Ross McCracken is the Editor of EU Energy's sister publication Platts Energy Economist.*

COMPETITION

France

CRE supports 3% power tariff rise

French electricity tariffs for households will rise by 3% from August 15, after the energy regulator, CRE, gave its support to the government's proposal, the Finance Ministry said on August 12.

For small, medium and large businesses, power tariffs are to rise by 4%, 4.5% and 5.5% respectively, the government said.

In a separate statement, EDF, the state-controlled company which supplies the tariffs, said it would mean French power prices will remain competitive on a long-term basis and necessary investments could be made on power production and grid infrastructure.

Taking off inflation, households would see a 1.5% rise, the utility said.

The new tariffs are to incentivize energy-saving across peak periods with a fixed plus variable cost structure.

The impact on energy bills would "remain less than €4 per month for 90% of households," the Finance Ministry said.

EDF went into more detail in its statement. Some 90% of household customers on the "Blue" tariff, the most popular contract, would see changes to their bill between -2% and +5.7%, the utility said.

The 500,000 households which have signed up to a contract based on lower usage on peak demand days would see a 2.5% rise, it added.

While France has long been a large provider of baseload power through its fleet of 58 nuclear power reactors, it needs investment in plants to supply peak periods, when the country's supply margins can become tight.

Across the business sector, with variable components now an important part of the tariffs, clients would see their rates change between -2% and +10%, with average increases as given in the government's statement.

The state is to give a 10% subsidy to the fixed rate element of the bills of vulnerable customers.

Following the tariff changes, French power customers would still pay around 25% to 35% less than the European average, the Finance Ministry said.

A signal for higher tariffs in future

The higher-than-expected rise in tariffs in a challenging economic environment is seen by the financial community as a sign that the government will heed EDF's calls for a minimum price of €42/MWh ($53/MWh) when setting France's new ARENH tariff later this year or in 2011.

Under a draft reform of the electricity sector due for debate in France's Le Senat upper house September 27-30, EDF will have to sell up to 100 TWh of its annual nuclear production to competitors at a fixed rate – known as ARENH, or regulated access to historic nuclear energy – that covers the costs of operating and maintaining its plants as well as reactor life extension and future upgrades.

EDF CEO Henri Proglio has said that the resale price of this power will jeopardize the company's financial position if it is too low.

CRE has calculated that the access price should be set at €37-€38/MWh to fully cover EDF's costs, according to documents published by French media in May.

But Proglio has said anything less than €42/MWh would be "robbery." Even this level would only just cover production costs, according to Proglio, and would not take into account the need for new nuclear capacity in the next 15 years.

Germany

Energy lobby blames green policy for higher retail prices

German energy industry group BDEW said on August 3 that a study published by the parliamentary faction of the Green party, accusing Germany's leading utilities of not passing on lower wholesale power prices to consumers, was painting a completely false picture of the competitive situation in the market.

The Berlin-based association also called upon politicians to take responsibility for the increased burden of renewable energy subsidies on retail power.

"The accusation that there is no adequate competition in the power market is unfounded," BDEW chairman Hildegard Muller said in a statement.

"We have in this country around 1,100 power companies, a variety that is unparalleled in Europe. Those companies compete in a tough environment for customers. No one can afford to charge excessive prices," she added.

According to the BDEW statement, the formation of electricity tariffs for residential customers is based on several factors. In addition to the wholesale supply cost of electricity, there are network charges, taxes and levies such as the growing burden of subsidies outlined in the Renewable Energies Act (EEG-Umlage) which influence household electricity prices.

While an accurate forecast for the renewable levy is currently not possible, it is foreseeable that these costs will increase again next year, it added.

Also, many companies purchase the bulk of the electricity they deliver to their domestic customers up to three years in advance, the BDEW said. This procurement strategy, in principle, minimizes risks, but also diminishes the influence of short-term price declines, it added.

According to a study, sponsored by the opposition Green party, the country's utilities so far have not passed on lower wholesale power prices to their residential customers.

The study, which was widely reported by German media, singled-out RWE's recent price hike of 7.3% from August 1. "RWE misused renewable energy as an argument for price increases," the energy spokeswoman for the Green party Ingrid Nestle told German daily *Handelsblatt*.

RWE did not include the green energy levy (EEG-Umlage) in its household tariff from January to July and therefore has to charge higher prices going forward, a spokesman for RWE's distribution unit said according to the report.

The BDEW is the German energy industry's federal lobby group with around 1,800 member companies representing about 90% of Germany's power and gas market.

FCO welcomes market transparency unit plans

Germany's Federal Cartel Office, the Bundeskartellamt, has welcomed government plans to create a market transparency unit that oversees the wholesale market for power and natural gas, a spokeswoman for the antitrust office said on August 17 in an interview confirming a report in the German news magazine *Der Spiegel*.

"The plans by the federal government to establish a market transparency unit within the antitrust office (Bundeskartellamt) are at an early stage," Bundeskartellamt said in a statement.

The spokeswoman said the government is currently working out the brief and scope of such a unit, which was already mentioned in the coalition treaty following the federal election last September.

"Our task is to protect competitive markets from restrictions, the Federal Cartel Office is therefore the proper authority for the planned new oversight of competitive markets," Bundeskartellamt Vice President Peter Klocker said in the statement.

The market transparency unit's main task would be to investigate violations and infringements against competition and financial market laws.

"Such a unit would significantly enhance our existing instruments in the fight against abuse of market dominance," the statement said. "It would also contribute in advance to the deterrence of market abuse," it added.

Greece

Ministry suspends PPC's end use-fuel cost price link

Greece's Ministry of Environment, Energy and Climate Change has suspended the link between regulated end-user electricity tariffs and fuel costs, it said in a statement on August 2, but it did not say how long the suspension would last.

The suspension, from August 1, was deemed necessary "to protect consumers from increases in the cost of living," the ministry said. The decision was signed by deputy minister Yannis Maniatis.

The decision was taken after advice from energy regulator RAE and information from state utility PPC on the impact of the fuel clause on third-quarter 2010 tariffs, the ministry said.

In particular, a hike in gas prices due to changes in the euro/dollar exchange rate "presented a significant increase" in rates it said.

The fuel adjustment clause would have added €0.0018/kWh ($0.00237/kWh) to low-voltage customer bills, the ministry said, increasing third-quarter tariffs by nearly 4% for rural customers.

The fuel clause allows PPC to pass on higher fuel input costs to customers. It is viewed as a key mechanism to ensure regulated rates reflect the true cost of production.

PPC's share of the retail power market is estimated at 97%.

Ireland

CER to hold gas prices steady

Ireland's Commission for Energy Regulation said that it proposes not to change the current Bord Gais Energy gas tariffs for the non-daily metered sector, which includes residential and small and medium-sized business customers, for the year from October 1, 2010 to September 30, 2011.

The decision comes despite a substantial rise in wholesale gas prices in the past few months. Ireland imports 90% of its gas requirements.

Gas prices are 23% higher for the year ahead as compared to the same period last year, the Commission said.

Mitigating the need for prices increases is BG Energy's use of a benchmark or laddered approach, which spreads the purchases of gas over a period of time.

CER is responsible for regulating charges in the natural gas market, including supply tariffs to final customers. As such, the CER examines the costs underlying these tariffs and approves revenues for BG Energy.

CER has said that there may be sufficient competition to fully deregulate the gas market for the next gas year, 2011/12. The gas market for large users is already fully deregulated.

Italy

AEEG mulls national database

Italian energy regulator AEEG on August 20 launched measures designed to promote energy competition and boost supplier switching among end-users.

AEEG set out plans for an integrated national information system that it hopes will simplify the exchange of information among power and gas market players and so bring more competition to the market

It will be the responsibility of Italy's Acquirente Unico (Single Buyer) to define the technical specifications and the tendering for the allocation of work on a new integrated information system, AEEG said.

Acquirente Unico buys power for the regulated sector of the electricity market.

The creation of a national database is seen as providing a solution to the structural weaknesses that AEEG said the liberalized electricity and gas markets still face in developing efficient and effective relationships, including contractual relationships, between operators.

The energy said that the new system will manage information flows based on a database of sampling points and the identification of end-users. It aims to include all possible information, contingent upon compliance with all appropriate privacy constraints.

The regulator said that this would make it easier for power or gas suppliers to exchange information and would thus enhance the bargaining power and freedom of choice for consumers.

New gas storage measure to promote competition

Italy's council of ministers approved a legislative decree which provides for a significant increase in natural gas storage facilities, the ministry of economic development said in a statement at the end of last month.

The aim of the measure, proposed by the minister of economic development, is to boost competition in the gas market by allowing participants to import large volumes of gas when prices are lower and then use it in other periods of the gas year.

This will be done by creating "strategic infrastructure" involving an overall increase in storage capacity that could reach 8 billion cubic meters, according to the statement.

As written, the decree should mean that Italian end-users have the full benefit of the changes as from next winter, the timing set out for strategic infrastructure improvements in the development act passed by the Berlusconi administration in 2009.

It provides for the revision of the old ceilings for gas imports and gas production that were introduced at the start of Italy's gas sector liberalization and which are due to expire at the end of the year.

It sets out new thresholds for operators which the ministry of economic development considers will make the wholesale gas market more competitive. The ministry hopes that the measure will also promote competitiveness in the electricity sector, where generation is heavily dependent on gas.

The cooperation in the new construction program of "operators with dominant market positions," which is to say former state oil and gas company Eni, will be compulsory.

Other participants will be involved on a voluntary basis, the ministry said (*see story page 31*).

AEEG consults on market development proposals

Italian energy regulator AEEG (Autorita per l'energia elettrica e il gas) invited comments on a proposed package of measures aimed at encouraging the development of Italy's wholesale and retail gas markets and the new gas exchange at the end of last month.

The gas exchange, P-GAS, is operated by power market operator GME. Established by legislation, it was opened in May but has traded very little.

AEEG's proposed regulatory changes are included in a consultation document, which was approved by a meeting of the regulatory authority.

Interested parties have until September 24 to respond, AEEG said in a statement.

The document outlines the areas of regulation governing gas transportation, balancing, storage and distribution that the regulator plans to change.

The proposals are also intended to encourage the creation and development of a stock of gas, to promote the integration of the Italian gas market within the European single market and the interaction between the Italian gas and electric markets, which AEEG says is crucial to avoid market distortions in the power market.

Some of the measures are necessary to meet the requirements of the European Union's third energy package and Community Law 2009.

The main changes that are planned include:

- Introduction of a balancing regime based on market criteria, along with the necessary changes to storage services;
- Introduction of a system of monitoring the long or short positions of users gas transportation services and balancing, with guarantees to cover such positions and mechanisms to limit the liability of the system operator;
- Changes to the booking system for injections and withdrawals into the national gas transportation system, to ensure maximum flexibility to operators.

The AEEG said the proposal would increase the liquidity of the traded markets.

It would also make the system for injection, withdrawal and balancing consistent and compatible with the regimes of the interconnected European gas systems, thus promoting gas trade within the EU.

Revision of the terms and timing of financial settlement include arrangements for daily load profiling.

The proposals are available as a 24-page consultation document, DC/10, on the regulator's website at www.autorita.energia.it

Regulator slams Enel, Eni for unanswered user complaints

Italian energy regulator AEEG has ordered three electricity and gas sales companies to respond to requests for information and clarification on complaints made by consumers via a new online service.

The companies involved are Italy's dominant power utility Enel and its Enel Energia subsidiary and dominant gas supplier Eni Gas & Power, according to the AEEG.

The regulator opened its online information "window" service "Sportello per il comsumatore" on December 1, 2009.

It is operated by Italy's Acquirente Unico, which is responsible for providing electricity supply to customers in the regulated sector of the market.

AEEG has resolved to "name and shame" the suppliers that are falling short in this respect.

By November it will publish a ranking of the quality of operators' responses to customer complaints, taking into account the number of claims and the timeliness of the responses, it said in the statement.

The AEEG's order to the companies stems from recent inspections by the regulator which revealed a high number of requests and complaints from end-users that had not been fulfilled or were late.

The authority had previously ruled that each company must respond fully to customer complaints within 40 calendar days.

If that deadline is not met, the customer is entitled to automatic compensation of €20 ($26.13), which will be refunded on their bill. This compensation may rise to €60 for supplier responses involving delays of more than 120 days.

If the customer does not receive the final response from the operator or receives a response which is considered unsatisfactory, he or she can file a report to the regulator, together with any documentation, via the information window, or by fax.

Both Enel and Eni declined to comment.

The Netherlands

EC to rule on APX-Endex, Belpex exchange merger by Sep 15

The European Commission is to rule by September 15 on plans for Dutch energy exchange APX-Endex to take over Belgian power exchange Belpex, the EC competition department's website showed on August 23.

APX-Endex is jointly controlled by Dutch power grid operator TenneT and Dutch gas grid operator Gasunie, while Belpex is controlled by Belgian power grid operator Elia.

The three companies announced their plans in April and notified the EC on August 11. The EC said its initial examination found that the deal could fall under EU merger rules, which means the EC, could have the final say on whether it can go ahead.

The merged entity would have a new shareholder structure, with TenneT holding 56.1%, Gasunie 20.9%, Elia 20% and Belgian gas grid operator Fluxys 3%. TenneT currently owns 70.6% of APX and Elia 60% of Belpex.

The companies argue in their notification that the merger will not impede effective competition in the European energy markets.

"In fact, the transaction contributes to creating better opportunities for trade in electricity and development of an integrated European electricity market in general and therefore has pro competitive effects," they argue.

The companies plan to use the merged entity to launch a cross-border Belgian-Dutch intra-day market by the end of 2010.

This is in line with EU policy to promote cross-border power trading.

The EC has invited interested parties to comment on the planned merger by August 29.

Poland

PGE appeals stranded costs ruling

Polska Grupa Energetyczna, Poland's largest vertically-integrated power company, said on August 4 it would appeal a ruling by national energy regulator URE requiring the company to return Zloty 566 million (€141 million, $178 million) in stranded costs compensation it received in 2009 for ending long-term power purchasing agreements.

"PGE does not agree with the decision of URE's president and intends to appeal to the Warsaw District Court," PGE said in a market filing.

PGE is in dispute with URE over the level of compensation for stranded costs it incurred when it terminated the power purchasing agreements.

URE argues that PGE and other generators abused the multi-billion Zloty compensation system.

Poland abolished power purchasing agreements in April 2008 under pressure from the European Commission.

Before that, more than 50% of Polish energy was typically traded under 20-year contracts, which enabled utilities to raise loans to fund investments for power generation projects.

In return for the termination of power purchasing agreements, the government created a system to compensate generators for their "stranded costs."

Under the system, Polish generators could claim up to 100% in compensation if they sell power at a rate not more than 20% below the market price.

It has been alleged that to claim the compensation, some generators sell energy below the market price to a wholesale trading company within their own capital group.

That wholesale trading company can then re-sell the energy to retail traders at a higher price.

Last year URE sued PGE over the level of 2008 compensation, arguing that the company sold its product at below market prices to receive higher compensation. In May a court ruled in PGE's favor.

But some industry lawyers argue the regulator lost the case because of the way it presented its legal arguments.

They say the ruling did not prove that PGE was not abusing the compensation system.

Spain

Power lobby disputes findings of interconnector report

The Spanish Electricity Association (UNESA) on August 2 slammed a report by energy regulators in southwestern Europe for failing to identify the "real causes" underpinning the inefficiencies of the Spain-France interconnector.

The report by Spanish regulator CNE, French regulator CRE and Portuguese regulator ERSE, "Regional reporting on electricity interconnection management and use in 2008," was published in June.

According to figures in the report, there are 24 auction participants trading on congestion from Spain to France but only 20 participants trading France-Spain.

Despite "good analysis" in the report, "it does not explain the reason there are systematically four participants less taking part in the France-Spain auctions than in the Spain-France direction," UNESA said.

UNESA said the explanation, which the report does not mention, is the Spanish law that bans companies with an installed capacity greater than 10% of the overall capacity within MIBEL, which comprises Spain and Portugal, from importing energy from France into Spain.

Effectively, the import ban hampers competition in auctions on the interconnector in the France-Spain direction by preventing four Spanish companies from accessing capacity, it said.

"The ban of imports to MIBEL has had a negative impact on the degree of competition in the IFE auctions [France-Spain interconnection] and thus in the efficient use of the interconnection," UNESA said.

According to UNESA, market players could obtain profits in the France-Spain direction in nine out of the 12 months of the year, but only five out of the 12 months in the Spain-France direction.

"The results of the France-Spain direction are biased towards lower levels of competition, thus lower congestion rents. The only real difference that can explain this bias is the ban on imports to MIBEL," UNESA said.

"Therefore, it can be concluded that [the report] was taken without considering the impact on competition in capacity auctions, which in our opinion, should have been tackled in the joint document by the CNE, CRE and ERSE," it added.

"When there is no congestion, there shall be no restriction of access to the interconnection," EC congestion management guidelines say. "Where this is usually the case, there need be no permanent general allocation procedure for access to a cross-border transmission service."

The consequences could be "remarkably serious," UNESA said.

The south-west regional report by French, Spanish and Portuguese energy regulators looked to provide a detailed evaluation of the economic efficiency of congestion management methods at a regional level.

The report should also help national regulatory authorities to reach a common understanding about how congestion management methods work and how they can be improved.

Switzerland

Federal court backs independent power producer

Switzerland's Lausanne-based federal Supreme Court, the Bundesgericht, is backing independent power producer Transitgas on a pricing dispute dating back to December 2009, according to a recently published judgment.

In the case, incumbent utility CKW refused to pay the price demanded by gas pipeline operator, Transitgas for its green power produced from waste.

Transitgas turns waste heat into electric power in its gas compression station at Ruswil.

In 2002, Transitgas installed two turbines costing Sfr22 million (€16.7 million, $21.1 million) with a yearly output of 20-40 GWh which it expected to sell for Sfr0.15/kWh.

The buyer, CKW which is a subsidiary of the state-owned Axpo-group, argued that the power generated was not green and therefore it the maximum it would pay would be Sfr0.04785/kWh.

Unless the power being sold was green, CKW said it refused to pay an independent power producer, "the amount per kilowatt hour equivalent to the price the utility would have to pay for otherwise procured electricity from similar new power stations."

CKW's objection is based on the second amendment of the energy law of the canton of Lucerne – where CKW is based.

After four years of legal battle the Swiss Supreme Court ruled that power from waste heat is green and overruled the cantonal law.

There was no subsequent comment available from CKW as *EUE* went to press.

CKW has opposed decentralized power stations in the past, criticizing them as too expensive and not competitive.

UK

Court refuses National Grid appeal over €18.3 mil meter fine

The UK's National Grid has come to the end of the road in its long-running legal battle against energy regulator Ofgem to overturn a fine imposed by Ofgem for restricting competition in the gas meter market.

Ofgem said on August 4 that the UK's Supreme Court had refused National Grid permission to appeal against the Court of Appeal's February 2010 findings that National Grid had acted anti-competitively.

"This is now the end of the legal avenues open to National Grid and the matter is closed," Ofgem said.

The decision means that National Grid is stuck with a £15 million (€18.3 million, $23 million) fine, the highest penalty imposed in the UK to date for an abuse of market dominance.

But during the course of the battle, National Grid has already succeeded in cutting back that fine more than 50% from the initial £41.6 million imposed by Ofgem in 2008.

A spokesman for National Grid said the company was disappointed it could not appeal. "And we note that their reason was that 'the application does not raise an arguable point of law of general public importance which ought to be considered by the Supreme Court at this time,'" National Grid said.

The company said that it would have been helpful for the appeal to go ahead to clear up the principles.

"We sought leave to appeal to the Supreme Court because we believed it to be in the best interests of customers and because the judgment of the Court of Appeal leaves uncertainty as to what National Grid can and cannot legitimately do in relation to its contracts for the provision of gas meters. This uncertainty is undesirable both for National Grid and for other industry participants."

"We must, however, accept the Supreme Court's decision while maintaining our view that our gas metering contracts have delivered substantial financial benefits to customers in the form of lower metering prices and have neither harmed consumers nor competition," National Grid said.

Case centers on long-term meter contracts

The case centers on whether network operator National Grid should have been able to lock household energy suppliers into long-term contracts for gas metering services in 2002, when the regulator was introducing competition into the gas metering market.

National Grid's success in signing long-term contracts with five out of six key players meant that there would be little effective competition in metering services, even after the metering market legally opened to competition and suppliers had a theoretical right to choose meter services from an alternative provider.

Ofgem ruled in 2008 that National Grid's actions were anti-competitive, and imposed the £41.6 million fine.

National Grid argued that companies chose freely to enter the contracts, so there was nothing unfair in its actions. Also, Ofgem was aware that the contracts were being negotiated at the time.

In 2009 the Competition Appeal Tribunal cut the fine back to £30 million. In February, the Court of Appeal cut it back further to £15 million.

National Grid had then sought to appeal against that decision in an attempt to reduce the fine further, or overturn it completely.

There are approximately 22 million domestic gas meters installed in the UK of which about 2.3 million are pre-payment meters. National Grid's turnover from its gas metering business is in the region of £250 million, according to Ofgem.

Industry gears up for 2013 network price controls

The UK gas and power industries are starting to gear up for the next round of price controls setting the prices that networks can charge for transporting gas and power.

Network operator National Grid said on August 2 that it was consulting on the next gas distribution price controls, while energy regulator Ofgem on July 30 issued letters on distribution and transmission controls.

Ofgem needs to decide the prices that local gas distributors can charge from April 2013 onwards, and is also looking to reset the price controls for the main gas and power transmission networks. However local power distribution controls are not due for renewal until April 2015.

Grid said on August 2 it was starting to engage with gas distribution industry stakeholders on how they wanted to be involved in the distribution price control.

Paul Whittaker, National Grid's UK director of regulation, said: "So that we can include as many views as possible as we deliver our business plans, we are reviewing our approach and process for consulting with our stakeholders and taking early soundings about how and when they wish to be involved."

Grid's preliminary consultation on gas distribution will run to the end of August. The company has already been holding a similar consultation on gas and electricity transmission, which it said would also run until early August.

Ofgem meanwhile set out some of its early thoughts on how it would carry out the next price controls in open letters to the industry. The regulator is getting ready to move forward after finishing its review of future network regulation, as a result of which it has decided future price controls should focus more on innovation and outcomes.

Downturn in gas demand

One interesting issue that the regulator highlights in the letters is that a downturn in UK gas demand could see the gas network's throughput falling in the future, or parts of the network perhaps becoming redundant.

Regarding the major transmission pipes that cross the nation, Ofgem says that the decline of the North Sea and increased import of gas as LNG "may result in low utilization and asset redundancy for some parts of the network."

On distribution Ofgem says that there is also a "risk of redundant or unnecessary investment" in local pipelines if gas demand falls in the future, as predicted by two of Ofgem's four future analysis scenarios.

Because demand may fall in the future, Ofgem wants network operators to think carefully before building expensive new pipes. The regulator said it was "particularly keen to explore how to encourage gas distribution networks to consider the option value of alternatives to network investment, such as interruptible contracts."

The regulator said it was "keen to find mechanisms to ensure that customers are not exposed to unnecessary risks of funding redundant capacity expansion."

National Grid expects Britain's gas demand to fall by about 1%/year over the next decade, it said in forecasts last month to accompany its Transporting Britain's Energy seminar in London.

Increased energy efficiency is helping cut gas demand in homes, while if the UK makes a major shift towards renewable and nuclear power in coming decades, gas demand for power generation could fall substantially.

DECC to decide future of Ofgem spring 2011

The UK department of energy and climate change will report the results of a review into the role of energy regulator Ofgem in spring 2011, alongside a new white paper on electricity market reform to be published then, DECC said at the end of last month.

A call for views on the future of Ofgem was issued as the government set out its first annual energy statement, setting out progress towards energy policy targets.

The review will consider the boundaries between Ofgem and government, and between Ofgem and the Office of Fair Trading. It will look at whether the regulator's statutory duties are "fit for purpose" and the effectiveness of the government's social and environmental guidance to Ofgem.

It will also consider the value for money provided by the regulator and Ofgem's approach to minimizing the burdens from its regulatory activity.

The government wants views on Ofgem to be sent in by September 24.

Ofgem's CEO Alistair Buchanan said in a statement: "Ofgem very much welcomes this holistic review of energy policy which states that we are 'a critical part of the energy landscape.'"

The regulator carries out work such as setting price controls on monopoly energy networks. It announced on July 26 major new plans to slash the regulatory burden on good companies by offering them fast-track review processes to avoid the 18-month long negotiations of the past.

Ofgem also carries out strategic work, such as its Project Discovery study of future security of energy supply. The government might look to take over some of this strategic work.

And Ofgem monitors the competitiveness of the UK's energy markets, including the wholesale and retail power and gas markets. The government might consider handing some of the competition responsibilities to the OFT.

ELECTRICITY

Belgium

Single tariff system needed for distribution network: CREG

Belgium needs a single national tariff system for recovering the cost of distribution network connections, according to proposals published this month by the regulator, CREG.

This would remove the need for injection tariff exemptions which exist for installations of 5 MW or more, and exemptions for decentralized or renewables producers where there are significant additional grid connection costs.

Neither situation is a problem at distribution network level at present according to CREG which is why it is recommending a de facto total exemption.

Today, the regulation of network connections in the Walloon and Brussels regions is based on full cost recovery, thus creating an incentive for decentralized and renewables producers to locate close to existing connections.

This is not the case in Flanders, where producers only pay for the connection to the nearest low-voltage cable irrespective of whether the network operator will have to upgrade other parts of the network.

CREG says the Flemish regulation needs to be brought in line.

However, CREG's role is only advisory as Flanders is an area of Flemish sovereignty. According to documents released along with CREG's proposals, the Flemish regulator, VREG, also supports introducing incentives for producers to locate close to existing connections.

The CREG report is the result of a request in November 2009 from the Belgian Minister of Energy to look at the desirability of exemption from injection tariffs for decentralized/renewables production.

The CREG published a report on this on April 26, 2010 and has ruled out any possibility of change during the current regulatory period, ie before 2013.

Both the Flanders and Wallonia regions are looking at ways of achieving the same result at regional level through measures which are under their jurisdiction, eg public service obligations.

The latest report is the result of subsequent consultation with all the regional regulators and all the market players (federal and regional).

Finland

Olkiluoto nuclear unit 'not a pollution risk': EC

Waste from Finland's planned third unit at the Olkiluoto nuclear plant is not likely to contaminate nearby EU countries, the European Commission said on August 4 in the EU's Official Journal.

Based on information provided by the Finnish government under the rules of the EU's nuclear treaty, Euratom, the EC concluded that the planned waste disposal "is not liable to result in the radioactive contamination of the water, soil or airspace of another member state."

Olkiluoto is 200 km from Sweden and 250 km from Estonia, the nearest EU countries. Spent fuel elements are to be stored temporarily on site until a deep geological repository is ready.

Olkiluoto-3 is more than three years behind its original schedule and is now expected online by June 2012.

France

Industrial demand up 1.6% yoy

French industrial power consumption rose 1.6% year-on-year in July to 7.40 TWh, according to monthly overview data released by grid operator RTE on August 17.

Industrial electricity use was also on the rise compared with July 2009 demand, RTE said.

"The rate of growth in extractions by consumers connected directly to the RTE network, over a sliding year, continues the improvement which began in October 2008; it rose from -7.3% at the end of January 2010 to -0.1% at the end of July," said the TSO.

More generally, total power consumption adjusted for weather variations was up 1.4% on the year in July at 35.8 TWh "the increase being slightly down compared to the values observed in April, May and June 2010."

On the supply side, French power generation stood at 41.11 TWh for the month, up 4.01 TWh (or 10.8%) on the year.

Nuclear availability rose 9.8% to 31.74 TWh, hydro 11.9% to 5.45 TWh and output from fossil fuel-fired units 26.3% to 2.99 TWh.

Wind output was down 76% to 487 GWh, which covered 1.4% of demand on average, while renewable energy generation excluding hydro and wind increased 9.9% to 438 GWh.

"Monthly nuclear generation showed a sharp rise in July (+9.8%) in continuation of the trend set in June (+9.0%), following more moderate increases in March (+0.1%) and April (+1.4%) and the drop in May 2010 (-1.7%)," RTE said.

Nuclear output in summer 2009 was hindered by strike-related delays to plant maintenance.

France remained a net exporter of power in July, with the 6.81 TWh export total rising 17% compared with the July 2009 level.

The difference between exports and imports remained positive throughout the month, reaching 4.59 GWh, "up strongly compared to July 2009, and at a similar level to that recorded in July 2008," RTE said.

The country's main export destinations in July were Switzerland, Italy, Germany and the UK. France sent 2.09 TWh of power to Switzerland, up 4% on the year; 1.66 TWh to Italy, down 2%; 1.23 TWh to Germany, up 103%; and 1.12 TWh to the UK, up 27%.

French imports from these markets in July were 1.07 TWh from Germany, 680 GWh from Switzerland, 104 GWh from the UK and 32 GWh from Italy.

Nuclear industry should finish first round EPRs: report

The French nuclear industry needs to get Olkiluoto, Flamanville 3 and Taishan right before embarking on construction of the next French EPR project – Penly 3, according to a report requested by President Nicolas Sarkozy from Francois Roussely, honorary President of EDF.

The report (in a summary version) was released at the end of last month.

Decisions, based on the report and announced at the same time, include a non-exclusive strategic partnership between EDF and Areva, enabling them to offer package deals when selling new reactors.

Although the partnership is billed as not precluding cooperation with others, the possibility of EDF taking a stake in Areva is being considered.

Areva's capital base is in any event to be strengthened by a 15% capital increase to be subscribed to by other industrial and financial investors with whom talks have already begun.

Other decisions include continuing work on certification of the ATMEA reactor being developed by Areva and Mitsubishi Heavy Industries, with the possible involvement of EDF, GDF-SUEZ and other power producers. This is seen as a means of diversifying the range of products offered by the French industry.

The report advocates a nationalized approach to nuclear exports with strong state involvement and with a focus on EDF and Areva to spearhead this effort. The government will also look at spending more on nuclear R&D and on maintaining nuclear human resource expertise.

Announcing decisions for the future, the government stressed the importance of 'optimizing' the design and construction of the EPR.

This directly reflects Roussely's findings in the July 27 report. He says the problems with Olkluouto and Flamanville 3, and the decreasing rates of availability of French nuclear plants mean that the French nuclear industry's image is "deteriorating" and its future is threatened.

The solutions lie not just in learning lessons from the problems with the first wave of EPRs, but putting in place a program to increase the availability of French nuclear plants.

Other key recommendations include creation of a Ministry of Energy tasked with continuing with the policy of emissions taxation, extending the life of French plants to 60 years, increasing power tariffs moderately but regularly to finance renewal of the French fleet of plants over the long-term.

The report underlined the importance of ensuring that the price at which EDF releases power to other suppliers under the requirements of the so-called Nome law completely meets the cost of fleet renewal.

It also said that France should, "pursue resolute political action to ensure that all multilateral finance intended for renewable energies is open to nuclear."

Interconnection, power line delays save RTE €59.2 mil

Delays in getting plans for a Franco-Spanish interconnector and a new 400kV line in Normandy under way will 'save' French transmission system operator, RTE, €59.2 million ($74.7 million) this year.

RTE is also spending €12 million less on logistics, but will spend an unplanned €142.6 million on taking over other networks, including the 63kV and 90kV lines from the French railways, SNCF.

There has been no news on the Franco-Spanish interconnector for some time, and in approving a revised 2010 RTE investment program on 15 July in an announcement published on July 20, regulator CRE has not given an official indication as to when any money might be needed.

Germany

Green party sees end for E.ON's coal-fired Datteln project

The German Green party, a junior coalition partner in the North Rhine-Westphalia state government, said on August 5 that it does not expect E.ON to get legal permission to finish construction of its controversial 1,050 MW coal-fired project at Datteln.

"We will withdraw the regional development plan [Landesentwicklungsplan] brought in by the previous government, and therefore expect that Datteln will remain forbidden in the courts," Sven Lehmann, the Green party's leader in the state, was quoted as saying by German newspaper *Bild*.

His comments echo the opinion of the state's new environment minister Johannes Remmel, also of the Green party, who said that he expected that Datteln would not go ahead.

The head of the opposition CDU, Karl-Josef Laumann, criticized the comments and demanded a statement by the Minister-President of North Rhine-Westphalia, Hannelore Kraft (SPD), as well as a debate about the future of the plant in the state parliament, German news agency DDP reported.

According to E.ON Kraftwerke spokesman Sebastian Heindrichs, the views of the Green party politicians are private opinions and are not the position of the state government.

"The SPD in [the state of] North Rhine-Westphalia has before and after the election supported… Datteln 4. The coalition treaty between the SPD and the Green party also agrees that current projects cannot be disadvantaged by law after the initial application," the E.ON spokesman said.

Construction of the new coal-fired block at Datteln, which is half finished at an estimated cost of €800 million ($1.09 billion), was halted in September 2009 when a regional court rejected plans for the new unit on environmental grounds.

Germany's highest administrative federal court in March upheld the decision, which meant that E.ON had to initiate a new planning application process.

The previous government, a coalition of CDU and FDP, proposed changes to the energy policy planning guidelines in the regional development plan (Landesentwicklungsplan) to expedite the regeneration of the state's ageing power plant fleet, which would have helped pave the way for the Datteln project.

The SPD and the Greens currently form a minority ruling coalition after the previous government was ousted in the May 9 state elections.

North Rhine-Westphalia is the most populous of Germany's 16 federal states and has the biggest GDP, and is home to the country's two biggest utilities, E.ON and RWE.

Energy lobby applauds move to shelve coal import tax plan

Germany's energy lobby BDEW on August 12 welcomed the government's decision not to pursue plans for an import tax for coal used for power generation.

"We strongly welcome that the federal government has rejected to further consider the introduction of a tax on electricity generation from coal," BDEW chairwoman Hildegard Mueller said in a statement. "Not only would the consumer have to [bear the] burden of the cost of such a tax, [but] also the investment conditions for the construction of urgently needed new power plants would have deteriorated further."

Government plans for a so-called ‘coal-input-tax’ emerged on August 11 after models from the finance ministry became public.

According to a report in German daily *Handelsblatt*, the finance ministry was mulling a tax in imported coal to help make up for revenue it would lose if it kept much-debated tax breaks for large energy-intensive industrial consumers.

The new tax, which would be footed by energy companies, could have raised €410 million ($517 million) next year and €710 million in 2012, *Handelsblatt* said.

In July, the German government said it hoped to save €1 billion next year and €1.5 billion in 2012 by reducing tax breaks for large corporate energy consumers, according to a draft law, which came under heavy fire from industry as well as from within the ruling coalition parties.

German utilities also sharpened their criticism of a proposed nuclear fuel tax which the government put forward in June together with other measures designed to cut Germany’s budget deficit.

The CEOs of Germany’s two leading utilities, E.ON and RWE, agreed that such a tax would make smaller nuclear power plants uneconomical and threatened legal action against the tax, but expected further clarification of the plans from the government’s new energy strategy, to be presented in September.

Oettinger backs German govt 50% tax increase on nuclear profit

German energy Commissioner Gunther Oettinger has sided with Chancellor Angela Merkel on taxing energy companies which profit from extending the life of nuclear plants.

According to a report in German newspaper *Sueddeutsche Zeitung* on August 21, the commissioner gave his support to a tax of around 50% extra on company profits being proposed by the government because of the extension of nuclear life-times.

Germany’s nuclear power plant operators have been in ongoing discussions with government officials on the controversial nuclear fuel tax. On August 20 dozens of industry bosses and top managers signed an open letter urging Merkel not to put the country’s future energy supply at risk through a premature exit from nuclear power amid the fast expansion of renewable energy.

The signatories also urged Merkel to drop a proposed tax on nuclear fuel, which the government wants to use to cut the budget deficit.

Led by the heads of Germany’s big utilities – E.ON, RWE, EnBW and Vattenfall – the letter was signed by Deutsche Bank CEO Josef Ackermann, the heads of steelmaker ThyssenKrupp, chemicals giants BASF and Bayer, and rail operator Deutsche Bahn, as well as 40 other business leaders and politicians.

“Policies that aim to consolidate the budget with new energy taxes block necessary investment in the future. For example: the planned nuclear fuel tax or new increases in energy tax must not lead to future investments being prevented,” the letter said.

“This is about securing the basis on which we live for tomorrow and Germany’s ability to thrive as a place for business in future. It concerns all of us,” the campaign letter, also signed by the manager of the German national football team Oliver Bierhoff, added.

Tax alternatives

Based on legal, economic and political considerations, nuclear plant operators have offered to share windfall profits through a regulated contract with the government, rather than through a unilaterally imposed tax, German daily *Handelsblatt* said citing extracts from the draft agreement of the companies’ so-called ‘energy industry contract.’

According to *Financial Times Deutschland*, which also says it has seen a draft of the contract, the nuclear operators offer to pay up to €30 billion ($38 billion) into government funds by issuing joint bonds with the state-owned KfW bank in return for a withdrawal of the nuclear fuel tax and an extension of nuclear run-times by 12 years.

According to Germany’s leading utilities, E.ON and RWE, the tax was ill-advised and would not only render some nuclear power plants uneconomic, but would also hinder investments in renewable energy projects.

They consider the nuclear tax incompatible with the fiscal principles of the German constitution and in breach of European law, through the EU energy tax directive and the Euratom treaty, and demanded more clarity from the government when the new energy strategy is presented this autumn.

The nuclear debate has become one of the key issues this summer in Germany, dividing the government and the utilities as well as causing splits within the ruling coalition. It has also improved the popularity ratings of the anti-nuclear SPD and Green party.

Separately, Germany’s energy lobby BDEW on August 12 welcomed the government’s decision not to pursue plans for an import tax for coal used for power generation (*see story page 21*).

The Netherlands

TenneT sets out 2030 grid vision

Dutch transmission system operator, TenneT plans to develop offshore interconnection and both on- and offshore grid connection, according to its ‘Vision 2030 report’, published on July 28.

The report, published every four years, sets out the TSO’s vision for the future of Dutch high-voltage connections with a voltage level of 110 kV up to and including 380 kV.

One of the elements studied was the number of spurs in the electricity grid. There are 82 spurs in both the 110 and 150 kV grids.

Areas in which spurs are located are dependent on a single high-voltage connection for their power supply.

The security of supply in these areas is more vulnerable in comparison to the majority of the high-voltage grid, which consists of ring-shaped structures.

Today 29% of the Dutch population, in 11 different areas, depends on spurs. TenneT said it will reduce this to 19% with an investment of €127 million ($160 million) over the next few years in areas where the load exceeds 100 MW.

Another element studied in the Vision report was offshore wind. The TSO wants to see the development of an interconnector-based grid offshore as well as creating onshore connections in the countries around the North Sea.

The grid will have nine interconnectors: six involving the Netherlands, three with the UK; two with Norway and one with Denmark.

Only one of these interconnectors (Norway) currently exists, though others are close to completion (BritNed) or at an advanced stage of planning (Cobra with Denmark and a second link with Norway).

TenneT said it wants to see a service and storage centre in the North Sea between the Netherlands and the UK, and possibly a storage facility in Norway.

The Vision 2030 report also looked at integrating sustainable energies and the implications this has for flexibility.

Traditional balancing methods will not be adequate to cope with increases in decentralized production, the TSO said. Instead, demand-side response and storage will need to be developed.

In the Netherlands, this could include coastal pumped storage, CAES (compressed air energy storage) in salt caverns, or underground pumped storage at a depth of 1,400 meters.

NMa calls for congestion data

Dutch regulator, NMa, formally reminded market players last month that they must respond in a “timely” manner to requests from transmission system operator TenneT, for information it needs for proper congestion management.

This is an obligation under EU legislation and also part of Dutch law since 2003. The NMa was reacting to a complaint from TenneT.

Separately, NMa announced on July 27 that it has introduced a new set of price-based congestion management tools to deal with the shortfall between grid and generation capacity.

This will ensure that all new capacity will have a grid connection agreement and that small-scale generation of renewables is not squeezed out by large plants with long-term planning horizons locking in available capacity several years in advance.

If there is a network capacity shortage, the network operator will ask for bids from generators on the price they are prepared to pay to take generation offline – on the assumption that the cost-saving will outweigh the profit given up.

The bidding system applies to the day ahead market and the network operator will accept the highest bids.

Norway

Energy minister under fire over 420 kV power line

Norwegian newspapers on August 11 reported growing calls for the petroleum and energy minister to resign on claims that he mishandled plans for a 420 kV power line over the Hardanger fjord, which led to an embarrassing government position reversal.

The Norway Post reported that the government had completely reversed its decision for an overhead power line, a key part of a planned upgrade of transmission lines in the area around the city of Bergen, announcing it would instead re-examine the installation of a more costly subsea cable.

Opposition to the proposed line has been escalating since the government announced the plans in early July and has spread across party lines, on environmental concerns.

Some local politicians vowed to chain themselves to the planned 45 meter high pylons, which opponents said would irrevocably spoil one of the most beautiful and untouched areas in Norway that attracts tourists from around the world.

Business newspaper *Dagens Naeringsliv*, said Prime Minister Jens Stoltenberg and Petroleum and Energy Minister Terje Riis-Johansen bowed to overwhelming political pressure, including within the government’s ranks, and reversed their hardline position to go ahead with the overhead powerline.

The paper also said the government’s credibility had been damaged by the affair.

“The decision was long and far from blame-free,” the paper wrote.

Minority opposition Progress Party leader Siv Jensen called for the minister to resign as all confidence had been lost in him, national Norwegian broadcaster NRK reported.

National grid operator Statnett has said that its proposed overhead line would be built for an operating voltage of 420 kV and would go from the Sima transformer in Eidfjord to the Samnanger transformer in Bordalsvatn in Samnanger municipality.

The total length was projected at 92 km and the power line could be completed before the end of 2012. Statnett said the power line was the first step in a future transition from 300 kV to 420 kV system voltage in the grid between the municipality of Aurland and Saurdal in western Norway.

The government announced on August 10, however, that instead of the original plan to extend the grid with land lines and tall pylons along and across the fjord, independent experts would now evaluate the use of sub-sea cables to strengthen the power supply to Bergen, at least along part of the line. Their report is due in by February 1.

In July, announcing the original decision, the government said the new power line would be an important part of the national grid, improving power supplies to protect Bergen from potential power outages during high demand periods.

Last winter Bergen came very close to major power outages as electricity demand soared across Norway in the face of an unusual bitter cold snap, sending up electricity prices to record levels.

Poland

POLPX first forward auction fails

Poland's first ever auction of forward electricity for industrial users through the country's power exchange remained unresolved, the Polish Power Exchange (POLPX) said on August 5.

The auction would have been the first transaction following amendments to the country's 1997 Energy Act, which requires power generators to sell 15% of their production publicly, via the power exchange or tenders, to increase liquidity in the market. Currently around 95% of Polish energy is traded through bilateral fixed-term (often 12 month) agreements. The amendment came into force on August 9.

POLPX said the auction for 100 MW of baseload electricity for delivery in 2011 remained unresolved because no bids matched the minimum price demanded by the seller.

According to a note on POLPX's website, the minimum price was set at Zloty 195/MWh (€48.50/MWh, $61.25/MWh), while the highest bid during the auction was Zloty 194.19/MWh. Platts assessed Polish Cal 11 baseload power at Zloty 193.6/MWh on August 4.

"Much ado about nothing," one Polish power trader told Platts about the outcome. "I guess the seller just wanted to check out the demand and the interest in the market. Now, we will wait and see how the buyers auction later this month will turn out, it remains interesting," he added.

According to a report by Polish daily *Rzeczpospolita* the seller was Poland's largest hard coal-fired plant, Elektrownia Kozienice, owned by the country's third-largest power company, Enea.

Nuclear new build delayed

Poland will commission its first nuclear power plant in 2022, two years after the original schedule, Hanna Trojanowska, government nuclear energy adviser, said on August 12.

"In effect, in the verified schedule 2022 appears as the date for the start-up of the first unit," Trojanowska told the state news agency PAP.

Trojanowska has always maintained that the original 2020 deadline was highly ambitious.

The revised schedule is contained in the government's nuclear program project. The project, which includes the construction of two nuclear reactors, each with installed capacity of 3 GW, was accepted by the economy ministry on August 12. The document will now be scrutinized by other ministries before it is sent to the government for approval.

Poland's largest power company, Polska Grupa Energetyczna (PGE), has recently signed a number of non-exclusive cooperation agreements with Westinghouse Electric, GE Hitachi and France's EDF. PGE will create a consortium, in which it will take a 51% stake, to construct the reactors. The first plant was originally scheduled to be commissioned in 2020 and the second in 2023.

Poland fast-tracked the creation of a nuclear power sector in January last year during the Russia-Ukraine gas dispute. The government plans to meet 15% of its energy needs from nuclear power by 2030. Currently, the country produces close to 95% of its power from coal or lignite. In the early 1990s Poland abandoned plans to construct a nuclear reactor in Zarnowiec, northern Poland, following protests from the local community.

Spain

Endesa urges government to ditch domestic coal obligation

The Spanish government should abandon its current support for domestically produced coal as it seeks to come up with a new long-term framework for the electricity sector, Andrea Brentan, chief executive of Enel-owned utility Endesa, said on July 28.

The current Socialist government brought in legislation in February to support the use of domestically produced coal by offering premium prices to nine coal-fired power plants that use Spanish coal. Endesa and other utilities opposed the move because they said it would give them less flexibility in their generation, would likely lead to higher prices and would require imports of expensive foreign coal to be burned alongside poorer quality Spanish coal.

"Concerning coal and the very complicated situation of the coal decree, which we always said was not the right thing... in the present situation, the best thing to do would be not to continue with that decree but to use the other decision that the EC has made that coal mines that have a plan to close should close in 2014," Brentan said during Endesa's first-half results conference call on July 28.

"With the state aids allowed [by the EU], domestic coal could be competitive to 2015," he said.

But Spain, along with Germany, Poland, and possibly the UK and Romania, has vowed to block a European Commission proposal made on July 20 that would allow only those coal mines that are profitable and have a closure plan to continue receiving state aid until 2015.

The EC proposal aims to ensure that only coal mines that are profitable without subsidy remain in operation beyond then.

Political pact on tariff deficit

Brentan also vowed that Endesa would continue to seek to influence the talks on a long-term energy framework currently taking place between the Socialist government and the opposition People's Party.

"[We are] facing key milestones on the regulatory front, especially in Spain but we will be active in calling for a regulatory regime that provides remuneration for the past, present and future," he said.

He was referring to the need for a long-term deal to tackle the tariff deficit debt that has accrued to Endesa and other utilities for selling power at regulated rates below market costs.

He said he expected a plan to securitize the tariff deficit should be finalized by September, and that other key elements of the pact would not be agreed until then, rather than by the end of July as the government had hoped.

"The timing of July has been mentioned, and from our point of view this is practically impossible and everything will probably be postponed to the autumn. We believe it is a great opportunity to have a stable set of guidelines for a long period of time, but naturally it depends on what the content of the agreement will be."

He reiterated that Endesa was angry that the government had halted a planned regulated tariff increase for July 1, pending the current talks, and that Endesa had appealed this in the courts on the grounds that it did not comply with existing electricity legislation passed in 2009.

Brentan said Endesa felt an increase in tariffs was "unavoidable" but that the extent of the increase would depend on other factors including the cost of renewable feed-in tariffs, stressing that the high tariffs offered to solar photovoltaic producers that led to an explosion in PV deployment in 2008 had been a "mistake."

Switzerland

Utilities start Swissgrid transfer

Switzerland has started transferring ownership of the country's power grid from the current utility owners to national grid company Swissgrid to comply with the unbundling provisions of the 2008 Swiss Electricity Supply Act, Swissgrid said in a statement.

The grid owners and Swissgrid plan to complete the transfer of the 6,700 km network by the end of 2012 and signed a declaration of intent, the statement issued on August 12 said.

The Electricity Supply Act stipulated that utilities were responsible for legally unbundling their transmission system operations from their other activity by 2009 and to have transferred ownership of their individual grids to the newly created national grid company Swissgrid by 2013.

Swissgrid and the grid owners are currently determining how this legally mandated transfer can be completed on schedule and as cost-effectively and seamlessly as possible, the statement said.

It is an enormously complicated transaction and, in addition, the smooth operation of the grid must be ensured at all times during the transfer process, it added. Swissgrid and the utilities are currently working intensively on such an agreement, which will serve as the basis for the in-kind contribution agreements.

Swissgrid, which has operated the Swiss high-voltage grid since 2009, is wholly-owned by the eight Swiss electricity companies Alpiq, Alpiq Suisse, Axpo, BKW, CKW, EGL, EWZ and Repower.

Anti-nuclear lobbies dispute zoning

The alliance of Swiss anti-nuclear groups and Greenpeace Switzerland have lodged a legal complaint against the cantons of Solothurn and Aargau regarding their zone planning for nuclear new build, the Zurich-based alliance's press office said on August 5.

To speed up site development, both nuclear-friendly governments introduced a revision to allow early zone planning in their cantons.

But, according to campaigners, this violates the federal nuclear law, the KEG, which only allows cantonal planning to go ahead, after the federal government has given its approval.

Federal approval is still pending in both cantons.

This is the first time the KEG nuclear law has been tested in a dispute.

The outcome of the case is still unclear but it might delay the Swiss nuclear planning process in future, particularly the upcoming national referendum on nuclear new build, expected in 2013.

UK

Market liquidity 'lacking': Ofgem

UK energy regulator Ofgem is still concerned about the level of activity in the UK wholesale electricity market, following a probe started in February.

"While liquidity in the prompt market has improved, it is weaker in the longer-term forward market where a range of industry stakeholders report difficulty in meeting their hedging requirements, and where there is evidence of increasing bid-offer spreads," it said last month.

"Smaller competitors also still report difficulties in trading, for example, they continue to find it hard to purchase the smaller volumes of power they require to meet their customers' needs."

Ofgem said it had seen improvements "to some aspects of liquidity" since the beginning of 2010, including a small increase in the ratio of traded electricity volumes to consumption (known as churn rates) and the launch of the N2EX wholesale power exchange in January.

It also said the launch of the BritNed power interconnector between the UK and the Netherlands in Q1 2011 would boost liquidity in the UK power market, by tightening the spreads between UK and Dutch power prices.

But overall Ofgem said improvements in liquidity since the beginning of 2010 were not enough.

"The regulator will further develop the possible regulatory interventions, so that it is in a position to act if industry-led initiatives do not deliver the required improvements," it warned.

In February, Ofgem launched a probe into the UK electricity market. The July 30 statement gives an initial assessment of the situation, but the final report is not due until December.

At the end of the year Ofgem may, if necessary, come out with its own plans to boost liquidity, such as obliging big players to trade power with smaller companies, or introducing a mandatory power auction to give a prompt price reference, it said in February.

The churn rate, the volume of trading compared with physical demand, for UK power is down to about three times, whereas in UK gas there is about nine times as much gas traded as consumed. Electricity churn in Germany is around eight times, and the UK power market had been around seven times in 2003.

Trading volumes dropped significantly around 2003 after US energy companies pulled out of the UK market.

The UK government is planning to publish its own consultation document on electricity market reform in the autumn. A white paper will follow in spring 2011.

Majority backs first UK coal-fired plant since 1980s

A public consultation on the construction of the UK's first coal-fired plant since the 4 GW Drax plant was built in the early 1980s ended on August 20, records on the Scottish government's website show.

On June 2, Ayrshire Power, a wholly-owned subsidiary of Peel Holdings, lodged an application for approval to build a 1,852-MW super-critical, coal-fired plant in Fairlie, Scotland.

The plant would comprise two 926-MW, coal-fired units and a 327-MW carbon capture and storage demonstration plant.

Members of the public had until August 20 to submit comments to the Scottish government, which will then make a decision on the controversial project.

A total of 15 responses had been submitted by their deadline, records on the Scottish government website show. Of these, four were from various units of the Scottish government, four were from UK national public bodies and seven were from local civic groups or Scottish regional bodies.

The majority of submissions made by UK public bodies and the Scottish government were in favor of the project, while a few responses from Scottish regional bodies opposed it.

Those comments were related to the incompleteness of plans to capture CO_2 from the plant, the impact of the plant on the health of local residents and wildlife, and local infrastructure.

"The West Kilbridge Civic Society is formally objecting to the proposed solid fuelled power station at Hunterston," one submission reads.

"The only justifications for this development are the presence of a largely redundant deep-water port and the presence of switchgear and pylons serving the Hunterston nuclear power stations...We would not wish to see another unsuitable development," it added.

Another submission by the Clyde Muirshiel Regional Park which is situated near the proposed coal-fired station reads: "The proposed development will have significant adverse impacts on the landscape character of the park."

It also criticized the destruction of habitat resulting from the construction of the plant.

"It would be ironic if the development went ahead with carbon capture technology, but its pollution resulted in the major release of carbon to the atmosphere through degradation of peat based habitats," it said.

In a submission to the Scottish government made on July 28, Ayrshire Power defended its proposed project.

Responding to the criticism that it had not explained plans on the transportation of CO_2 from the plant to an underground field, Ayrshire Power said: "Details relating to the subsequent transport and storage elements of the CCS chain are not included in this application as they will not be located at the Hunterston site and are therefore outside the remit of the Section 36 application."

On August 16, environmental group Greenpeace said it had received an unprecedented amount of contributions from people opposed to the construction of the plant.

"Almost 10,000 people from across the world have already written to support our campaign against the Hunterston coal plant," it said.

The Scottish Government's Energy Consents Unit is not expected to decide on the project before the end of the year.

Huhne defends nuclear power

UK energy secretary Chris Huhne has defended the government's position on nuclear power against accusations that the coalition was not acting urgently enough to develop new capacity.

In a letter to the *Financial Times* published on August 4, Huhne said that he had "said clearly" that nuclear power would play an important part in the UK's

future energy mix, and that government would continue with all the measures needed to speed development, such as streamlined planning and national policy statements.

"Given our policy framework, and the outlook for oil, gas and carbon prices, I am...confident that there will be new nuclear power as planned by 2018," Huhne wrote.

Almost immediately following his appointment in May, commentators began questioning Huhne's commitment to new nuclear power, because he is strongly in favor of renewable energy, and had raised serious concerns about the economic viability of nuclear power in the past.

Huhne is also a member of the Liberal Democrat party, which is against the building of new nuclear power plants.

Party members have been told they can speak but not vote against nuclear in any votes held by the coalition Lib Dem-Conservative government.

Nuclear policy could still go through with support from the opposition Labour party.

Huhne has repeatedly answered his critics by saying that he is not against new nuclear as long as it can be built without public subsidy.

He said on August 4 that none of Britain's three main parties believed in public subsidy specifically for nuclear power.

Huhne added in his letter that he would still like to increase the country's renewable energy.

It currently has the third lowest proportion of supply from renewables of all 27 EU member states, and is lower than the US.

IPC to examine 38 energy projects

The UK Infrastructure Planning Commission said on August 10 it expected to examine 38 energy projects over the next five years, an increase of six from the planning body's previous estimate on July 13.

The government said in late June the IPC would be scrapped in 2011 and integrated into the Department for Communities and Local Government. Its staff would continue to examine planning applications but the UK energy secretary would have the final word on all major UK infrastructure projects.

"Our programme of projects, including anticipated and live applications, is now fast approaching 50, representing a potential capital investment of many billions of pounds," IPC chairman Sir Michael Pitt wrote in a newsletter.

Of the 50 infrastructure projects listed by the IPC, 38 were energy projects, records on the IPC website showed.

Among the projects recently added to the IPC's list are E.ON's 665 MW Southern Array offshore wind farm near Brighton, Sussex, the 7,200 MW East Anglia offshore wind farm planned by Scottish Power and Vattenfall off Norfolk and MGT Power's 299 MW biomass-fired plant near Newcastle, Tyne and Wear.

The IPC said it had received its first formal planning applications at the beginning of August. They were Covanta Energy's 65 MW energy from waste plant in Bedfordshire and Western Power Distribution's 132 kV high voltage line to connect the Maesgwyn onshore wind farm in Wales to the National Grid.

"I'm very pleased to announce the IPC has received its first applications. This is an important time for us as we prepare to test the end to end streamlined process for the first time in both England and Wales," Pitt said.

"We now have 28 days to decide whether or not to accept the applications," he added.

In total, the IPC expects to examine 28 GW of onshore and offshore wind plant, 15 GW of nuclear plant and 1 GW of biomass plant over the next five years, according to its website.

EMISSIONS

Poland

Poland, EC reach deal on free EUAs

Poland and the European Commission have reached a preliminary agreement on allocation of free emissions allowances for the new Polish electricity generating plants with a total capacity of 15 GW after 2013, environment ministry spokeswoman Magda Sikorska told Platts on July 29.

"We are confirming the news," Sikorska said, explaining that the ministry received a letter from EC climate commissioner Connie Hedegaard, in which she specified the allocation conditions.

"It is a good solution for Polish power," environment minister Andrzej Kraszewski said. "It is satisfactory for both sides."

Kraszewski had pressed the issue in talks with Hedegaard last month.

Poland has been locked in negotiations with the EC for almost two years on an interpretation of the EC ruling which says that only those plants that were physically started by December 2008 would be entitled to free allowances. Under EU rules other plants must pay for their allowances, which is usually by means of auctions.

But Hedegaard confirmed in her letter that the Polish law dealing with the construction rules can be applied. This stipulates that a project has been started once leveling of the construction areas by bulldozers, digging of foundations, construction of makeshift barracks or completed surveying works have been completed.

Kraszewski said that preliminary granting of allowances to the new plants with a generating capacity of 15 GW was a big relief for the Polish power sector, but did not say how many plants this applied to.

"15,000 MW covers more than a half of the current demand for electricity," Kraszewski said. "All those who met the criteria [of the Polish construction law] can count on free allowances."

Kraszewski said that the decision will help Poland to implement the EU approved climate package as an unspecified amount of new plants will not have to purchase allowances for seven years.

"Drastic increases of electricity will not take place," he said.

While the preliminary agreement needs to be approved by the EU climate change committee, Kraszewski said he did not expect any "negative surprises."

"We expect the committee to make its final decision at the end of October or at the beginning of November," he said.

Switzerland

ENAW urges caution on EU ETS

Switzerland's energy agency, Energie Agentur, is urging federal lawmakers to leave market players with "space for individual improvement" in any proposal made about joining the EU emissions trading scheme.

If allowances are not made, the competitiveness of the Swiss industry will suffer, ENAW said in its recently published annual report.

The Swiss federal government is discussing joining the EU's emission trading system which would be legally binding for the domestic industry participants.

If Switzerland opts in to the EU ETS, it could mean the elimination of existing voluntary industrial efficiency measures and the CO_2-levy on heating fuels.

Joining the EU ETS is part of ongoing discussions of a total revision of emissions law.

However the Energy Agency wants to keep the existing measures on grounds that 1 million tons of CO_2 were saved in the last year through enhanced energy efficiency chiefly from heating fuel.

ENAW also pointed out that in 2009, nearly 2000 companies took part in the voluntary measures with an overall energy savings of roughly 6 TWh.

UK

Support schemes deter new entrants to retail market

Obligations placed on energy suppliers to fund a variety of support programs are threatening new entrant growth, smart meter supplier first:utility told Platts on July 28.

"We are nearing the 50,000 customer level, and once we get there a number of programs require our support by law," first:utility's chief financial officer Darren Braham said. "These include CERT, CESP and the new feed-in tariffs, and will soon include a renewable heat incentive."

The most expensive to fund is the carbon emission reduction target, Braham said: "That is going to cost around £52 [€63.50, $80.70] per household per year. Essentially it kills our ability to acquire new customers, and greatly reduces our margin on existing customers. CERT alone is going to cost us £2.5 million a year."

The community energy saving program would add a further £3/customer/yr onto costs, he said.

First:utility has taken its concerns to sector regulator Ofgem and the department of energy and climate change.

"They recognize our problem and are supportive," Braham said. "These programs were designed for the 'Big Six' vertically-integrated utilities, who have the market power to pass on the costs. Our rates are £200 less than standard rates. We do not think it was intended that the programs should dissuade competition."

Secondary legislation would have to be altered to raise the customer threshold for the programs, Braham said. This could be done before the end of the year, he said, by which time first:utility is likely to have surpassed the 50,000 customer mark.

Some 15,000 of those customers now have smart meters, Braham said.

Impose carbon tax, scrap wasteful subsidies: think-tank

The UK government could cut greenhouse gas emissions in a more cost-effective way by introducing a carbon dioxide tax on fossil fuels and scrapping ineffective subsidies on renewable micro-generation facilities, UK-based think-tank the Policy Exchange said on July 28.

The Policy Exchange published a report saying the UK now has a "tangled web" of competing and overlapping climate policies, and should instead produce a coherently designed regulatory system that can better deal with the threat.

UK politicians "have added more and more elements over time. Some of the individual policies are very expensive and in urgent need of reform," said the group, which describes itself as an independent educational charity.

"Cost-effectiveness of policy is vitally important for political reasons but also for economic ones. Much of the running on the costs of climate change policy has been made by those resisting it; it is time that those who take the threat seriously take the costs seriously too," it said.

Decarbonizing the economy will be difficult and expensive, and policies which are unnecessarily expensive hinder those efforts, it said.

"Public support and economic viability are going to be crucial for decades if long-term decarbonization is to be achieved – and cost-effectiveness is critical to both," it said.

The Policy Exchange said many of the UK's climate policies overlap with the EU Emissions Trading System.

"Carbon savings made by these policies may therefore be offset by carbon reductions foregone elsewhere in the EU under the ETS cap. These policies cannot therefore aim to result in additional carbon reductions up to 2020. But they can aim to make emissions reduction cheaper, if they are able to make savings cheaper than the EU ETS price," it said.

The think-tank hit out at UK policies it said were making progress towards emissions targets for 2020 more expensive, for example the Renewables Obligation and micro-generation renewable energy Feed-in Tariffs.

"The RO and FiTs, in particular, are an order of magnitude more expensive per ton of carbon saved than other policies," it said.

The think-tank said the RO and FiTs are mostly about mass deployment of known technologies.

"For this reason these policies end up lavishing huge levels of subsidy in attempts to mass deploy early-stage technologies at huge cost, rather than achieving least-cost decarbonization," it said.

Meeting CRC efficiency deadline 'unlikely': consultancy

UK energy consultancy M&C Energy Group questioned on August 11 whether most businesses will meet the September 30 deadline to register for the government's mandatory carbon reduction commitment scheme.

According to the most recent figures from the Environment Agency, only 30% of UK businesses required to participate in the CRC scheme had registered in the program less than 50 days before the deadline.

M&C Energy warned that many UK businesses and public sector organizations are unaware of the obligations placed on them and are therefore in danger of failing to properly register by the deadline date.

"The simple fact of the matter is that many organizations don't know whether CRC applies to them and therefore run the risk of missing the deadline and incurring significant fines," said Chris Davenport, director of M&C Energy.

"UK Energy and Climate Change Minister, Greg Barker, has admitted that the complexity of the scheme may have deterred some organizations in registering. There is simply no may about it," he added.

Some 20,000 public and private sector organizations are expected to register for the scheme. The Environment Agency had estimated that 5,000 organizations would be required to participate, but the most recent figures revised that to 4,000.

The roughly 4,000 organizations, each of which has an annual electricity bill of £500,000 ($770,687), will be required to participate by monitoring energy consumption and purchasing carbon emission allowances under a cap-and-trade system designed to cover non-energy intensive organizations that account for 10% of the UK's CO_2 emissions.

The 1,200 businesses and organizations already registered have a combined electricity use of about 40 million MWh per year. "Between them these organizations have reported over half of the electricity consumption expected to be included within the scheme," the Environment Agency said.

"We would urge the remaining businesses to sign up now, and not leave registration to the last minute," Tony Grayling, head of climate change and sustainable development at the Environment Agency, said.

The program is designed to improve energy efficiency and reduce CO_2 emissions to meet the UK's target of reducing greenhouse gas emissions by 2050 by at least 80% from a 1990 baseline.

The UK Environment Agency will run the CRC registry and beginning in October 2011, will publish an annual table highlighting the best and worst performers in the program.

Davenport said that because of the complex nature of the scheme, an organization cannot predict with accuracy where they will be in the league table of all participating organizations.

"This unknown makes investment criteria for capital to spend on efficiency improvements, as well as budgeting for the cost of the scheme, extremely difficult," he said.

Dave Lewis, head of business energy services for UK energy supplier Npower, said the delay in registrations suggests that many companies are not monitoring their energy consumption.

"That so many could need the full six-month registration window to complete their submissions suggests many organizations are already on the backfoot," he said.

GAS

Belgium

CREG consults on new gas transport framework

Belgian federal energy regulator, CREG, has launched a consultation on proposed revisions to the regulatory framework for natural gas transportation, it said on August 13.

The consultation document published on the regulator's web site (www.creg.be) noted that the current regulatory framework introduced in 2004 has a number of shortcomings.

"The current transport framework has several specific characteristics that are seen today by several market players, including exchanges and network operators, as restrictive," the document stated. It added

that current capacity allocation rules in the case of congestion management are complex and there is no "proactive and transparent" congestion management policy. It also said there is inefficient use of some entry points, and the existence of four different balancing zones is seen by some players to be a problem.

In addition, the document highlighted that there is limited access to the low-calorie gas network and not enough interaction between the low- and high-calorie networks.

It said gas trading is limited to physical trading through the Zeebrugge hub and the secondary market for both transit and transport within Belgium is not sufficiently developed.

"These restrictions need to be removed in order to encourage development of both gas transport services and gas trading. The current model is no longer fit for purpose in terms of meeting the needs of suppliers, shippers or end-users. This also has direct consequences for the electricity market," the consultation stated.

Instead, CREG is proposing to allow independent reservation of entry and exit capacity (which currently have to be booked at the same time) with more transparent access to entry capacity, for example through auctions. It also seeks to remove the distinction between gas transport within Belgium and gas transit while encouraging the development of new services, including interruptible contracts.

It proposes setting up a single balancing point with daily balancing, and a virtual national exchange point (which could be the same as the single balancing point), to allow for decoupling of entry and exit capacity. It also proposes a secondary market and a proactive congestion management process.

Full details of the consultation are available on the website and CREG is seeking comments. It is also organizing meetings with affected parties between September 21 and October 2010.

EU

Ergeg seeks views on gas balancing, storage guidelines

The European Regulators' Group for Electricity and Gas launched on August 19 a public consultation on its draft pilot framework guidelines for gas balancing.

The third energy package, adopted by the European Union in July 2009, tasked regulators with creating non-binding framework guidelines containing clear objectives for the development of network codes.

At the 17th meeting of the European Gas Regulatory Forum in Madrid in January, Ergeg expressed its intention to continue work on gas balancing, with the goal of preparing a pilot framework guideline.

Following the consultation, Ergeg will present its draft pilot framework guideline on gas balancing to the next Madrid Forum in September 2010.

Ergeg is in charge of the network codes until the creation of the Agency for the Cooperation of Energy Regulators (ACER) in March 2011.

The purpose of this draft pilot framework guideline is to develop EU-wide principles for gas transmission systems and arrangements for cross-border balancing.

Ergeg is inviting interested parties to provide comments to the consultation paper before October 28 via email to fg_gasbalancing@ergeg.org.

Ergeg will also hold a public workshop on the issue on October 7 in Brussels.

Changes to gas storage rules

In light of changes to EU natural gas storage rules that are scheduled to go into effect in March, the European group of energy regulators said on July 29 that it is seeking energy market stakeholder views on proposals for gas capacity allocation mechanisms and congestion management procedures.

The EU regulatory framework for gas legislation will change according to principles that the 27 member states set in 2009 in the EU's third package of energy market rules. But Ergeg, the energy regulator group, said in a statement that its own 2008 and 2009 status reviews of the gas market revealed problems that the third package rules alone would not be sufficient to tackle.

"The third package requires some further considerations that need to be taken into account when defining allocation mechanisms and congestion management procedures," Ergeg said in the statement.

The consultation is aimed to help Ergeg address its particular concern with legal problems relating to gas storage. "Due to the importance of storage, there is a need to enhance the existing guidelines of good practice of storage system operators," the group said.

The consultation also seeks views on whether and why the guidelines, also known as GGPSSO, should include the proposals for gas capacity allocation mechanisms and congestion management procedures.

"Ergeg seeks the opinion of the respondents on a number of specific issues related to the scope and applicability of these proposals," it said.

The public consultation is open until October 9. The relevant consultation documents are available from Ergeg's website, www.energy-regulators.eu.

France

CRE consults on gas tariffs

French energy regulator, CRE, launched a consultation on July 22 on gas tariffs for 2011 following a request from transmission system operator GRTgaz for a 5.9% increase in its tariffs for the 2011 gas year and a request from gas hub operator TIGF for unchanged tariffs for the 2011 and 2012 gas years.

Responses to the consultation are due by September 6.

CRE is also asking for views on a proposal to merge the low- and high-calorie zones in northern France, to spread the costs associated with conversion of low-calorie gas across all users.

CRE believes that this is what most market players want because it will make markets more liquid and make life easier for shippers.

However GRTgaz says that merging the zones is not feasible until 2013 because of the time needed to adapt its IT systems.

CRE said it accepts the TSO's concerns, but is consulting on how to introduce some of the conversion tariff changes from 2011. It is also formally consulting on whether the market favors merging the zones.

The same consultation covers creation of a single market in southern France (between the TIGF and GRTgaz networks) by introducing new rules on nomination and new tariff structures. However there would be no formal merger between the two players.

According to CRE, a single market for Southern France is not feasible until 2015 and the consultation does not cover whether it is considered desirable.

Another element in the consultation is how to guarantee supplies to new gas-fired power plants coming on stream in the next few years – an issue for the GRTgaz network.

GRTgaz will need additional intra-day flexibility which will have to come from the LNG terminals in southern France (which will require regulatory changes) and from TIGF, as well as from underground storage.

CRE is consulting on a combination of measures, which would include passing most of the additional cost to the plants with the highest volatility of demand.

There are also proposals on changes to balancing rules to anticipate the requirements of the European Commission's third energy package.

The CRE also agreed to government proposals on increasing electricity tariffs this August (*see story on page 13*).

Italy

AEEG introduces incentives for new gas storage

Italian regulator AEEG has finalized its criteria for tariffs covering the operation of regulated gas storage during the period January 1, 2011 to December 31, 2014.

It has also introduced incentives to encourage the construction of new regulated sector storage facilities, Italian gas storage operator Stogit said in a statement issued on August 5.

The incentives have been introduced for the first time for this regulation period. They establish a premium of 4% above the allowed rate of return set by AEEG on Stogit's regulated asset base.

The incentives will run for 8 to 16 years, according to the different categories of investment, Stogit said.

AEEG has fixed the allowed rate of return on Stogit's regulated operations at 6.7% in real terms pre-tax. Allowed operating costs are set based on Stogit's 2009 operating costs.

These criteria are set out in full in the regulator's resolution ARG/gas number 119/10.

Gas storage operator Stogit is a subsidiary of gas grid operator Snam. Former parent, oil and gas company Eni, holds a 52% stake in Snam, and via Snam in Stogit (*see story page 15*).

Poland

Poland, Lithuania to study gas interconnector

Poland and Lithuania's gas transmission system operators, Gaz System and AB Lietuvos Dujos, agreed on August 2 to conduct an analysis of a gas pipeline interconnector between the two countries.

Polish gas TSO Gaz System said the first stage of the project, which will be completed by the first quarter of next year, will determine market demand for gas in the future and potential sources of supply.

The two TSOs will then decide whether to conduct a feasibility study on the planned 2 billion cubic meters/year capacity pipeline.

"This project is part of the European Union's strategy to create cross border links to strengthen the energy security of the Baltic states," Jan Chadam, chief executive of Gaz System, said in a statement.

In April Poland and Lithuania applied to the European Union to fund 50% of the costs of the analysis. The European Commission is expected to decide on funding by early next year.

Gaz System would need to build 360 km of pipeline on the Polish side at an estimated cost of Zloty 700 million-1.1 billion (€174-274 million, $220-345 million.) If the project goes ahead Lithuania could have the opportunity to import gas through the interconnector from Poland's planned LNG terminal.

Poland is scheduled to start receiving its first shipments of LNG at the terminal in Swinoujscie, near the German border, from Qatargas in 2014.

Romania

Govt to sell 9.84% stake in Petrom

Romania is to sell a 9.84% stake in oil and gas producer Petrom, majority owned by Austria's OMV, leaving it with just 10.8% in the country's largest company, economy minister Adriean Videanu said on August 5.

Romania is also to sell 15% stakes in gas pipeline operator Transgaz, gas producer Romgaz and utility Transelectrica.

In a statement, Videanu said the shares would be sold on the stock market "to stimulate the capital market and most importantly to stimulate foreign capital flows into Romania."

Videanu said the sale, a listing of domestic companies, would run in both 2011 and 2012.

A 9.84% stake in Petrom is valued at current market prices at more than €400 million ($505 million).

OMV bought a 33% stake in Petrom for €670 million at the end of 2004, and then upped its share to 51% through a capital increase, becoming Petrom's majority shareholder.

OMV CEO Wolfgang Ruttenstorfer, speaking on a second-quarter results analyst conference call on August 4, said OMV would be interested in buying any shares Bucharest put up for sale.

He said the company was prepared to buy the shares, but would wait for an official decision by the Romanian government.

Analysts believe OMV would likely buy up the shares to increase its stake in Petrom, but that it could be better for the company for the shares to remain on the Bucharest Stock Exchange.

"In our view, it could be more reasonable to leave the stake on the market thus increasing Petrom's liquidity," Olena Kyrylenko of Budapest-based KBC Securities said on August 5.

Norway

Gassco gets OK for Gjoa pipeline

Norwegian gas grid operator Gassco on August 18 received consent to operate the Gjoa gas pipeline, on behalf of the field's licensees, from the Norwegian Petroleum Safety Authority, the PSA said in a statement.

The pipeline will carry rich gas from the Norwegian field to the UK market.

The 130 km pipeline runs from the gas export riser on the Gjoa field in the Norwegian sector to the existing FLAGS pipeline system in the British sector of the North Sea.

Norwegian oil and gas company Statoil, which is operator for the development phase of Gjoa, said that the field is likely to come into regular production in the fourth quarter of 2010.

The original operational date given for the pipeline by Gassco was the start of the new gas year on October 1.

The Gjoa-Vega development project is the largest now under way in the North Sea, according to Statoil. French partner GDF Suez will take over the production startup.

Gjoa's recoverable reserves are estimated at around 82 million barrels of oil and condensate and 40 billion cubic meters of gas. It is being developed jointly with its satellite Vega field where recoverable reserves are estimated at 26 million barrels of condensate and 18 Bcm of gas, Statoil said.

GDF Suez owns 30% of Gjoa, while Statoil has 20%. Other partners are Norway's state-run Petoro with 30%, Anglo-Dutch Shell with 12% and Germany's RWE Dea with 8%.

Ministry calls for alternatives to NSC pipelines

The Norwegian Ministry of Petroleum and Energy on August 23 told Gassco to highlight alternatives to pipelines in its analysis of gas transport options from fields on the Norwegian Continental Shelf.

Pipelines are currently the principal export method for Norwegian gas deliveries.

"Good, forward-looking solutions call for us to think along broader lines, and ship transport would equip us better to meet the demanding challenges which face the NCS," Gassco senior vice president for financial and commercial development Thor Otto Lohne said.

"Apart from technological issues such as deep waters, wave heights, and high reservoir temperature and pressure, gas finds lie far apart. Ship transport could then be a relevant option," he added.

Gassco said it has already studied LNG shipments from the Luva field in the Norwegian Sea as a full or partial export solution, but said it is a significantly less costly solution to build a pipeline to the existing gas infrastructure.

CNG is now being assessed as a possible solution for transporting gas from sea areas further to the north, Gassco said.

Gassco is operator for much of the gas infrastructure on the NCS, including the processing plants at Karsto north of Stavanger and Kollsnes near Bergen.

The company also plays a role as infrastructure developer, making integrated assessments of new gas processing and transport solutions.

RENEWABLES

EU

Slacking on environmental goals could derail targets: EC

A European Commission environmental report on August 11 warned EU member states that failure to sustain momentum could derail environmental goals.

"[The report] shows a number of worrying data and trends...I see a clear need to sustain the momentum for promoting green growth and for further EU and national policy measures to make Europe more resource efficient," environment commissioner Janez Potocnik said in a statement accompanying publication of the EC's 2009 environment policy review.

The review looks at environmental trends and policy performance at a national level and details EU policy developments in 2009 in the context of the four priorities of the EC's 6th environment action program covering climate change, nature and biodiversity, environment and health, and natural resources and waste.

In the area of climate change, the review found that in 2009 “efforts to mitigate climate change were consolidated” with the climate and energy package formally adopted in June.

However, the EC underlined its disappointment at the outcome of the United Nations conference on climate change in Copenhagen in December 2009 which failed to reach a binding international agreement.

In the area of biodiversity, the review found “worrying trends” both in the EU and globally. “The coming years will test the credibility and efficiency of EU and global policy-making in the area of biodiversity,” the EC said.

Policy in the area of waste and natural resources was also highlighted as needing more work.

“Current patterns of consumption and production are leading to the depletion of natural resources, while also causing serious environmental pressures,” the review said.

France

Large solar PV tariffs to drop 12% from September 1

French feed-in tariffs for non-residential solar photovoltaic projects are to fall by 12% on average from September 1, the country’s finance ministry said in a statement on August 23.

The government is looking to curb speculative project proposals under its tariff regime as component prices fall.

French installed solar capacity has increased tenfold in just two years, from 81 MW at the end of 2008 to an expected 850 MW at the end of 2010. Some 3,000 MW of proposals have been made, which puts France well ahead of its target of 1,100 MW installed by the end of 2012 and 5,400 MW by the end of 2020.

Following the tariff change, rooftop installations will receive a tariff of between €440/MWh ($555/MWh) and €510/MWh, compared with previous tariffs between €500/MWh and €580/MWh.

Ground-based projects in France will see a similar drop, with new tariffs fixed between €276.00/MWh and €331.20/MWh, depending on location, with the sunnier south receiving a lower tariff.

“Even after this change, feed-in tariffs for PV remain among the most favorable in Europe,” the government said.

Projects which have already completed the connection contract with the grid will be entitled to the older more favorable tariff, and farm buildings will continue to receive the higher rate, it said.

Tariffs for domestic solar projects, less than 3 kW, are to remain at €580/MWh.

“This effort in favor of individual installations shows the will of the government to support the development of employment in the sector,” it said.

Government eyes up to €20 bil offshore wind investment

France’s push to develop 3,000 MW of offshore wind power will require €5-20 billion ($18.9-25.2 billion) of investments, *Les Echos* newspaper reported on August 24.

The French government is to launch in September a tender for 3,000 MW of offshore projects, as it broadens its wind power expansion from land to sea.

Project developers will be invited to bid for rights to build off the coast of the Loire, Brittany, Languedoc-Roussillon and Normandy regions.

The government outlined its offshore plans in May, and large interest in the tender has meant the government has pushed back its launch to September, *Les Echos* said.

Around 600 turbines would be put in place, and in total, the required investment could amount to €20 billion, the paper said, citing information from the energy ministry.

The first turbines are expected to be brought online in 2015, and the government will take over a year to decide on successful bidders, as negotiations over the pricing mechanism take place, according to *Les Echos*.

The energy ministry was not immediately available for comment.

Geothermal FIT set at €0.20/kWh

The basic feed-in tariff for geothermal energy in France has been set at €0.20/kWh ($0.25/kWh) in a decision published in the French Official Journal on July 24.

An efficiency premium of €0.08/kWh is available on top of this on a pro rata basis to the actual level of efficiency calculated on the basis of technical formulae set out by the government.

The tariff guarantee is 15 years.

In its opinion on the proposed tariffs, regulator CRE said it had some difficulty in reaching conclusions on how valid these tariffs are because there is very little cost data and no information on the potential in France for high-temperature geothermal.

However, it regards the fixed cost factor in the indexation formula as too low, and says the tariffs are in any event too high for existing units benefiting from provisions passed in December 2009 on renovation of plant using energy from aquifers or underground rock formations.

Publication of the tariffs (which were decided in principle at the beginning of the year) coincided with the inaugural meeting on July 23 of a national geothermal committee, which has the task of speeding up development of geothermal – including plans to equip 2 million households with geothermal-driven heat pumps.

Germany

Installed solar PV to soar to 3 GW by mid-2010: BNetzA

Germany's federal network agency for electricity and gas (BNetzA) on July 27 said it is expecting the installed capacity of household solar photovoltaic (PV) modules to increase to more than 3GW during the first half of 2010.

"We've been inundated with notifications over the past few weeks because many house owners installing photovoltaic modules wanted to secure the higher feed-in tariffs," said Matthias Kurth, president of BnetzA.

The tariffs under the Renewable Energy Sources Act (EEG) for modules that are put into operation from July 1, 2010 were substantially lower he explained.

BnetzA's preliminary evaluation of the months from January until May 2010 shows that there will be an additional capacity of around 1.7 GW.

"Based on the notifications [from households] we have received, it looks like June alone has experienced an increase in installed capacity that is almost equivalent to the total amount in the first five months of the year," Kurth said.

Approximately 135,000 notifications have been received by BnetzA from January to May, with over 50,000 in June. A total of 160,000 notifications were received in 2008.

At the end of 2009 the overall installed capacity of PV modules in Germany was 9.8GW. The increase in installed capacity was about 3.8GW in 2009.

Since January 1, 2009 house owners in Germany installing PV modules have been required to inform the BnetzA about the location and capacity of newly installed photovoltaic modules.

Ireland

Government sets out plans for 16% renewables target

The Republic of Ireland has set out plans to meet its binding EU target to get 16% of all energy from renewable sources by 2020 in a National Renewable Energy Action plan, published on July 28 by the European Commission.

"The government's ambitions for renewable energy and the related national targets are fully commensurate with the European Union's energy policy objectives and the targets addressed to Ireland under the Renewable Energy Directive. Ireland's energy efficiency ambitions (20% by 2020) as set out in the National Energy Efficiency Action Plan are duly reflected in the NREAP," the plan states.

All EU countries are required to file national plans showing how they will meet legally binding 2020 targets for the share of renewable energy in their final energy consumption such as sectoral targets, the technology mix, the planned trajectory and the measures and reforms they will undertake. All the plans set out both a base scenario and a high energy efficiency scenario.

Like, Britain and Greece who have also published their plans, Ireland expects the electricity sector to bear the greatest burden. It has set a target for 40% of all electricity to come from renewables by 2020 and the plan notes that in the last few years renewable power generation has expanded rapidly from 3.6% of all power in 2001 to 14.4% in 2009.

But it adds that much of the expansion in renewables has been in onshore wind and that the transmission grid faces significant challenges as it readies to cope with even more intermittent renewables.

To meet a target of getting 10% of transport fuels from renewable sources by 2020, Ireland plans to rely both on biofuels and electric vehicles. The government has a target for 10% electric vehicles by 2020 and has also introduced a national biofuel obligation requiring transport fuel suppliers to add a minimum percentage of biofuels to the fuels they sell, starting at 4% in 2010 and rising to 6% by 2012.

In the heating sector the Irish government expects a renewables share of 12% by 2020 and says a "series of related and complementary support programs have been put in place to address the delivery of this target already."

Ireland projects that its total energy consumption will reach 15.367 million mt of oil equivalent in 2020 under a reference scenario and 14.142 million mtoe under the high energy efficiency scenario.

To meet all these targets Ireland identifies 38 policies and measures, including planned legislation on geothermal energy and consents for offshore wind as well as existing policy. But it is also looking beyond 2020 to develop the potential of offshore wind and wave and tidal energies.

All EU countries had a deadline to submit their national plans by July 1 but so far the EU has only published plans from fewer than half the member states: Austria, Bulgaria, Cyprus, Denmark, Finland, Ireland Greece, Lithuania, Malta, the Netherlands, Slovenia, Spain, Sweden and the UK.

Italy

Plans for energy demand cuts to meet 2020 targets

Italy said that ensuring 2020 energy demand is lower than in 2005 through increased energy efficiency is a key part of its strategy for meeting its 2020 binding renewables and emissions targets.

Other key measures include using renewable power imports from Switzerland, North Africa and the Balkans, and increasing renewables use in heating, cooling and transport, the Italian government said in its national renewable energy action plan published by the European Commission on August 6.

The government estimates that Italy's target to source 17% of its final energy use from renewables would equate to about 22.62 million mt of oil equivalent in a high energy efficiency scenario.

That assumes a final energy use of 133 million mtoe in 2020, compared with 141 million mtoe in 2005.

It would mean cutting energy use for heating and cooling by nearly 12% from 68.5 million mtoe in 2005 to 61 million mtoe in 2020, cutting transport energy use by nearly 13% from 39 million mtoe to 34 million mtoe, but increasing electricity use by nearly 7% from 30-32 million mtoe.

At the same time the government has set goals for renewables' share in heating and cooling to rise from 2.8% in 2005 to 17.09% in 2020, in transport from 0.87% to 10.14% and in electricity from 16.29% to 26.39%.

That would be enough to reach the 17% overall renewables use target with no surplus, as well as the separate binding 10% target for transport energy.

In absolute terms that would mean 10.5 million mtoe of renewables use in heating and cooling, 2.5 million mtoe in transport and 8.5 million mtoe in electricity by 2020.

The remaining 1.1 million mtoe needed to meet the 22.62 million mtoe by 2020 target would be covered by renewable electricity imports from Switzerland (0.34 million mtoe/year), the Balkans (0.52 million mtoe/year), Albania (0.26 million mtoe/year) and Tunisia (0.05 million mtoe/year).

Italy is already importing power from Switzerland, and estimates the other imports would start from 2016, with Tunisia starting in 2018.

The EU's 2009 renewables directive set legally binding targets for all 27 EU countries to increase their use of renewable energy, and required them to submit a national plan outlining how they intended to achieve these targets to the EC by June 30.

Italy also has a binding EU target to cut its greenhouse gas emissions from sectors outside the EU's emissions trading scheme – notably buildings, agriculture and transport – by 13% below 2005 levels.

The Netherlands

TenneT contracts for renewable electricity guarantees

Dutch TSO TenneT has begun contracting for renewable energy guarantees to cover the electricity consumed on the national grid in 2010, it said on August 13.

Guarantees of origin constitute the only legal proof in the Netherlands that electricity has been generated by sustainable methods and must be issued by a member company of the Association of Issuing Bodies, the TSO said in a statement.

Interested parties are invited to contact TenneT to request documentation. Offers need to be received by 12:00 CEST (1000 GMT) September 16.

A TenneT spokesman last month told Platts that the company has been buying renewable energy guarantees for the past three years to cover electricity lost to the grid, reflecting "the importance of sustainability for society at large."

"This year we bought mainly hydropower from Norway," he said.

Spain

Govt proposes solar PV tariff cut

Spain's ministry of industry said on August 1 that it intends to cut premiums paid for new solar photovoltaic plants and proposed a cap on the number of years that existing plants receive the current premium.

In a document published on the ministry's website, it proposed slashing premiums for floor PV installations by 45%, cutting roof installations with a capacity greater than 20 kW by 25% and cutting by 5% roof installations with a capacity less than 20 kW.

The ministry said the change in premiums reflects technological improvements and cost reductions that have occurred in the solar PV industry in recent years.

The ministry also proposes to limit the time that existing solar PV plants receive the current premiums to 25 years from the installation of the plant.

At present feed-in tariffs in Spain are set at €334.65/MWh ($422.26/MWh) for roof installations with a capacity less than 20 kW, at €303.10/MWh for roof installations with a capacity more than 20 kW and at €273.18/MWh for ground mounted PV installations.

The proposal has been submitted to the Spanish national energy commission for further review.

In July, Spain's industry ministry reached agreements with two key renewable energy lobbies, the Spanish Wind Energy Association and Protermosolar, which reduced special tariff premiums for wind farms and solar thermal plants.

On the solar thermal side, new plants will be subject to a tariff-premium moratorium during the first year of operation, while an undisclosed number of projects are to experience development delays so as not to overburden the system.

Additionally, for both the wind and solar thermal sectors, a cap is to be placed on the number of hours that an existing installation will be eligible to receive special tariff premiums.

The Spanish government has long struggled to deal with a mounting tariff deficit, the difference between costs and income in the regulated market, a problem mostly of its own making and largely due to its generous support system for renewable energies.

Last year, the deficit totaled €6.9 billion, with €4.7 billion attributable to renewables, €1.1 billion more than anticipated.

Electricity directive

<table>
<tr><th></th><th>Eligible customers & Declared market opening (%)</th><th>Ownership unbundling of TSO</th><th>Production: type of system</th><th>Transmission: type of system</th><th>Distribution: type of system</th></tr>
<tr><td>Austria</td><td>10/01: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">The Energy Market Liberalization Act (12/00) provided for marked opening from 10/01 and required grid operators to source 8% of delivered electricity from small hydro (<10MW) and to increase the percentage of energy from other renewables to 4% by 2008. The Green Energy Act (08/02) shifted administration for this obligation to the transmission grid operators and increased the target for production from small hydro to 9% by 2008. Legislation introduced in 2006 increased the target for other renwables to 10% by 2010.</td></tr>
<tr><td>Belgium</td><td>01/03: >10GWh
07/04: Walloon Region, Brussels-Capital Region: all professional customers connected to the distribution network
07/03: (Flanders only) all
01/07: Walloon region all household customers
01/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Regulator for gas and electricity is CREG. Regional regulator for <=70kV grid. Elia formally designated as TSO. Bottlenecks at borders, especially northbound at French border.</td></tr>
<tr><td>Bulgaria</td><td>07/04: 40GWh (22%)
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Bilateral contracts; power exchange generation market design. Seven significant competitors in the generation market, including Kozlodui NPP and Maritsa Istok III. The latter has a 15 year PPA with NEK up to 2020. Distribution tariffs are published.</td></tr>
<tr><td>Czech Rep</td><td>01/02: >40 GWh
01/03: >9 GWh
01/05: All non residential customers
01/06: All (100%)</td><td>Yes</td><td>Authorization required for plants >30 MW</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Bilateral and power exchange generation market. 66.7% state-owned CEZ dominates the Czech Republic's power market.</td></tr>
<tr><td>Denmark</td><td>01/03: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Feed-in tarriffs have developed wind energy industry.</td></tr>
<tr><td>Estonia</td><td>2005: 40GWh (12%)
2009: 35%
2013: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">State utility Eesti Energia dominates the Estonian power market. TSO and DSO are legally separated. Unbundling legislation passed Jan 2010.</td></tr>
<tr><td>Finland</td><td>All (100%)</td><td>Yes</td><td>Authorization for environmental, not market, purposes</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Transmission grid is an independent company. Since 01/05 transmission and distribution companies have needed the Electricity Market Authority's approval for changes to their methodologies for calculating tariffs.</td></tr>
<tr><td>France</td><td>02/03: 7GWh (34.5%)
07/04: All non-residential customers (>66%)
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">EDF holds auctions to sell capacity (virtual power plants) but EDF still enjoys near total monopoly. Grid operator RTE is legally separated from EDF.</td></tr>
<tr><td>Germany</td><td>All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Reg TPA provided for by the Energy Act of 13/07/05 and enforced since energy regulator (Bundesnetzagentur) was established in July 2005.</td></tr>
<tr><td>Greece</td><td>07/04: All non-residential customers (70%)
01/07: All</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Greece has requested a derogation from EU rules for micro-systems on all non-interconnected islands (excluding Crete and Rhodes), those customers remain captive to the incumbent supplier and generator PPC (RES, CHP and autoproducers are exempt). PPC owned 95.3% of installed generation capacity in 2006. RES, CHP and autoproducers supported through a regulated feed-in tariff. The electricity volume traded outside PPC was approx. 0.84% of the total electricity volume consumed in 2006, including electricity produced by autoproducers and RES and imports.</td></tr>
<tr><td>Hungary</td><td>07/04: All non-residential customers
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">The state-owned MVM Group plays a dominant role in the wholesale market, although former long term PPAs have been replaced by 5-8 year-long agreements. There are three significant players in the Hungarian retail market.</td></tr>
<tr><td>Ireland</td><td>2002: >1GWh
02/04: >0.1GWh/yr (56%)
02/05: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">All Ireland single electricity market from 11/07. This is hoped to assist in resolving any problems which may have existed with market entrants securing finance. New build process speeded up through Strategic Infrastructure Bill.</td></tr>
<tr><td>Italy</td><td>2001: 20GWh/yr
2002: 9GWh/yr
05/03: 0.1GWh/yr
07/04: All non residential (80%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">All consumers have been free to switch supplier since 07/07. AEEG continues to set prices for residential consumers and small businesses who have not yet switched supplier. No single entitity allowed more than 50% of generation and imports. Problems persist with limited import capacity. Wholesale power pool IPEX introduced 03/04.</td></tr>
</table>

Electricity directive (continued)

<table>
<tr><th></th><th>Eligible customers & Declared market opening (%)</th><th>Ownership unbundling of TSO</th><th>Production: type of system</th><th>Transmission: type of system</th><th>Distribution: type of system</th></tr>
<tr><td>Latvia</td><td>07/04: All non residential customers (76%)
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">90 customers exercised their rights to switch energy supplier in 2009. Vertically integrated state monopoly Latvenergo holds a 95% share in domestic production. TSO “Augstsprieguma tikls” started operating as a legally separate company from 09/05. Latvenergo holds 99% of the electricity distribution market. 35.6% of power was traded at open market prices as of June 2010.</td></tr>
<tr><td>Lithuania</td><td>07/04: All non residential customers
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">The 1,300 MW Ignalina nuclear power plant closed end 2009. No direct transmission lines with the Central/Western Europe and Scandinavian countries. Plan to abolish the end-user prices gradually by 2015. One TSO, two main DSOs/Public Suppliers and 24 licensed Independent Suppliers in the Lithuanian electricity market.</td></tr>
<tr><td>Luxembourg</td><td>07/04: All non residential customers
07/07: All (100%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td>Netherlands</td><td>2000: >2MW
2002:>3*80A
07/04: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Independent regulator for gas and electricity (DTe). Reciprocity clause invoked. All consumers free to buy green power since 1/1/01. Import capacity bottlenecks. Full ownership unbundling of distribution networks mooted July 2009. Introduction of trilateral market coupling with Be, Fr (11/06).</td></tr>
<tr><td>Poland</td><td>07/04: All non residential customers
07/07: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Generation market design: long-term PPAs still exist (60%), however an Act discharging them was passed on 29/07/07 and came into force 04/08/07. Long term PPAs will be gradually discharged through a compensation scheme. Bilateral contracts; limited significance of power exchange (1%). Poland has nine significant competitors in the power sector.</td></tr>
<tr><td>Portugal</td><td>01/04: All businesses
07/04: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">A government Decree (240/2004) on 07/12/04 scrapped long term power purchase agreements and created compensation measures to replace them. TSO REN is 31% state owned; 20% Caixa Geral de Depósitos; 5% Gestmin; 5% Logoenergia; 5% OLIREN, 5% Red Electrica de España; 5% EDP; and 24% freefloat.</td></tr>
<tr><td>Romania</td><td>07/07: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Bilateral and power exchange generation market design. There are eight significant competitors in the power generation sector. Five distribution companies had been privatized by 08/07. By end 2007 some 50% of consumers had changed their supplier. In 04/07 the electricity and gas regulators merged to become the independent Romanian Energy Regulatory Authority (ANRE).</td></tr>
<tr><td>Slovakia</td><td>01/04: 20GWh (40%)
01/05: All non-residential customers (79%)
07/07: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Bilateral generation market without power exchange. Slovenské Electrárne (SE) dominates the Slovakian power market. The New Energy Acts came into force on 01/01/05, bringing market opening fully into compliance with the EU Directives. The reformed Electricity Market Rules came into force on 15/07/07. Legal unbundling of distribution system operator from other activities from 07/07.</td></tr>
<tr><td>Slovenia</td><td>07/04: All non-residential customers
2005: 77%
07/07: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Bilateral and power exchange generation market design. There are two main wholesale competitors and 12 suppliers in the Slovenian power sector.</td></tr>
<tr><td>Spain</td><td>2003: All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">New entrants frustrated by lack of electricity export capacity with France. Customers were able to choose to stay on regulated tariffs until July 2008. Regulated tariffs abolished July 2009, but sub 10kW consumers can opt for capped tariff of last resort.</td></tr>
<tr><td>Sweden</td><td>01/96: All (100%)</td><td>Yes</td><td>Authorization for environmental, not market, purposes.</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Regulator sets guidelines for access prices. Consumers file complaints to the regulator.</td></tr>
<tr><td>Turkey</td><td>01/07: 3 GWh (38.6%)
01/08: 1.2 GWh (41%)</td><td>No</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Market opening extended in January 2008 by decision of the Board of the Turkish Energy Market Regulatory Authority. Bilateral contracts market design with residual balancing pool. Electricity market activities are unbundled along the path envisaged by the EC Second Directive, except for legal unbundling of DSOs. The TSO has a separate corporate identity. Turkey’s wholly stae-owned Electricity Trading and Contracting company (TETAS) and Electricity Generation Company (EUAS) are the dominant market players.</td></tr>
<tr><td>UK</td><td>All (100%)</td><td>Yes</td><td>Authorization</td><td>Reg TPA</td><td>Reg TPA</td></tr>
<tr><td colspan="6">Ofgem is the regulator for England Wales and Scotland, while the Northern Irelarnd Authority for Utility Regulation is responsible for energy regulation in Northern Ireland.</td></tr>
</table>

Source: EU Energy

Gas directive

<table>
<tr><th></th><th>Eligible customers & Declared market opening (%)</th><th>Ownership unbundling of TSO</th><th>Grid/Storage access</th><th>Publication of access conditions</th><th>Regulator</th></tr>
<tr><td>Austria</td><td>2001: 49%
10/02: All (100%)</td><td>No</td><td>Reg TPA (Grid)
Neg TPA (Storage)</td><td>Yes</td><td>E-Control (gas and electrcity)</td></tr>
<tr><td colspan="6">OMV remains the principal importer of gas and a major player in supply through its jv with Energie Allianz, Econgas.</td></tr>
<tr><td>Belgium</td><td>2001: 59%
07/03: Flanders: all customers connected to the distribution network
01/04: Wallonia >1m cu m
07/04: federal level: all final customers connected to the transmission network
07/04: Walloon Region and Brussels-Capital Region: all professional customers connected to the distribution network (91.5%)
01/07: Brussels: all; Walloon Region: all household customers (100%)</td><td>No</td><td>Reg TPA</td><td>Code of good conduct and principal conditions</td><td>CREG (gas and electricity)</td></tr>
<tr><td colspan="6">Regulators both regional and national. Legal unbundling for TSO and DSO.</td></tr>
<tr><td>Bulgaria</td><td>20 million cu m (83%)
07/07: All (100%)</td><td>No</td><td>Reg TPA</td><td>Accounts published. Tariffs approved ex-ante</td><td>Energy and wa-ter regulatory Commission</td></tr>
<tr><td colspan="6">Part of the definition of eligibility is that customers must pay their bills on time – many large customers do not. Another requirement is that they should buy gas to satisfy their own demand, so GDSs are not defined as eligible. Legal, dunctional and account unbundling of TSOs. No unbundling for DSO (the number of customers of gas distribution companies is well below 100,000). The dominant gas company is Bulgargaz.</td></tr>
<tr><td>Czech Rep</td><td>2005: >15 million cu m (28%)
2007: All (100%)</td><td>No</td><td>Reg TPA (Grid)
Neg TPA (Storage)</td><td>Yes</td><td>ERO</td></tr>
<tr><td colspan="6">Unbundling for TSO and DSO by account. Legal unbundling for TSO (2006) and DSO (2007). Gas market dominated by RWE Transgas A.S. An amendment to the Energy Act adopting the EU Second Gas Directive came into force from 30/12/04.</td></tr>
<tr><td>Denmark</td><td>2000: 30%
2004: All (100%)</td><td>Yes</td><td>Reg TPA (Grid)
Neg TPA (Storage)</td><td>Yes</td><td>DERA</td></tr>
<tr><td colspan="6">Gas incumbent Dong Naturgas unbundled its grid in 2003, Dong Transmission, onrenamed Gastra, which in 01/05 became part of state-owned system operator Energinet.dk. Neg TPA for storage. DERA regulates for gas, electricity and district heating.</td></tr>
<tr><td>Estonia</td><td>200,000 cu m (95%)
01/07: All (100%)</td><td>No</td><td>Reg TPA</td><td>No publication of accounts
Tariffs approved ex-ante</td><td>Estonian Competition Authority</td></tr>
<tr><td colspan="6">Legal unbundling for transmission system operator and distribution system operator. Eesti Gas is the dominant player in the Estonian gas market.</td></tr>
<tr><td>Finland</td><td>2000 >5 million cu m (90%)</td><td>No</td><td>Reg TPA</td><td>Yes</td><td>EMA</td></tr>
<tr><td colspan="6">On paper, the market is open for energy consumers, but in reality only about 1% of the market is open. Due to single supply source (Russia), no competition at wholesale level envisaged. Competition exists for the “after market”, but there is no legal unbundling between the distribution system operator and supply in the wholesale market. Energy Markets Authority regulates for electricity, gas and emissions trading.</td></tr>
<tr><td>France</td><td>2000 >22 million cu m
2001: 20%
2003 >7.5 million cu m
2004: All non residential customers
7/07: All (100%)</td><td>No</td><td>Reg TPA (Grid)
Neg TPA (Storage)</td><td>Publication of standard conditions and tariffs</td><td>CRE (gas and electricity)</td></tr>
<tr><td colspan="6">Over 66% of the market open from July, 2004 (for industrial energy consumers). The transmission network is managed by two independent TSOs, Total Infrastructure Gaz France (TIGF) and GRTgaz, unbundled from January 2005.</td></tr>
<tr><td>Germany</td><td>1998: All (100%)</td><td>No</td><td>Reg TPA (Grid)
Neg TPA (Storage)</td><td>Yes</td><td>Bundesnetz-agentur</td></tr>
<tr><td colspan="6">Market fully open since 1998. Reg TPA for grids provided for by the Energy Act of 13/07/05 and enforced since the energy regulator (Bundesnetzagentur) was established in July 2005. Storage facility operators are obliged to publish the location of storage facilities and information on available capacity, terms and conditions for access to storage including: procedures for requests to access storage; characteristics of the gas to be stored; nominal working gas capacity and feed-in and output storage periods; and minimal volumes for feed-in and output.</td></tr>
<tr><td>Greece</td><td>07/05: Generators & Cogenerators >25 million cu m
Derogation awarded until 2009 (0%)</td><td>No</td><td>Reg TPA</td><td>Yes</td><td>RAE (gas and electricity)</td></tr>
<tr><td colspan="6">New Gas Law in place since 12/05 implementing Directive 2003/55/EC. 03/07 legally unbundled TSO (DESFA SA) established. DESFA owns and operates the transmission network and is responsible for its developments. Terms and conditions for TPA access to the network established through a Standard Transportation Agreement and the corresponding Tariff Decree. Three regional gas distribution companies operate in the urban areas of Attiki, Thessaloniki and Thessaly (Larissa/Volos). Each has a 30-year license to exclusively develop and operate the gas distribution system and supply all consumers with demand <10 million cu m/yr. The Law on deregulating the Greek gas market also renders gas exempt from the country’s special consumer tax until October 31, 2013 and until December 31, 2020 for gas used in cogeneration, agriculture, vehicles and the home.</td></tr>
<tr><td>Hungary</td><td>01/04: all non-residential (67%)
07/07: All (100%)</td><td>No</td><td>Reg TPA, Neg TPA (for free market)</td><td>Yes: Tariffs, terms & conditions</td><td>HEO (district heating, gas & electricity)</td></tr>
<tr><td colspan="6">Legal unbundling of TSO and DSOs with more than 100,000 customers, accounting unbundling for smaller DSOs. A few players dominate the market. Effective market opening threshold reached 34 % in 2008. Act XLII of 2003 on Natural Gas Supply was fully replaced by Act XL of 2008 from 1/7/09, which abolished the former public utility supply and introduced the universal supply on the Hungarian natural gas market.</td></tr>
<tr><td>Ireland</td><td>04/02>2 million cu m (80%)
20/07/04: All non residential (85%)
07/07: All (100%)</td><td>Yes</td><td>Reg TPA for transmission & distribution</td><td>Yes</td><td>CER (gas and electricity)</td></tr>
<tr><td colspan="6">Significant investment in gas network infrastructure in recent years and to 2012. Arrangements and access conditions for storage published in 2006. Transmission and distribution system access conditions, price methodology and levels published.</td></tr>
</table>

Gas directive (continued)

	Eligible customers & Declared market opening (%)	Ownership unbundling of TSO	Grid/Storage access	Publication of access conditions	Regulator
Italy	01/03: all consumers (100%)	No	Reg TPA	Yes	AEEG (gas & electricity)
From 2002 suppliers restricted to selling <75% of national consumption into the grid, reducing 2%/year to reach a 2009 target of 61%. Since 2003 no entity has been permitted to sell to final clients >50% of national consumption. Exploitation of gas reservoirs is licensed by the Ministry for Economic Development. Neg TPA for upstream gas slots. Reg TPA to pipeline network for imports and national production.					
Latvia	0%	No	Neg TPA	No publication of accounts. Tariffs approved ex-ante	Public Utilities Commission
Latvia has a derogation until 2010 to implement the EU's Second gas Directive. Unbundling for transmission system operator and distribution system operator by account. Publicly available accounts required from 01/06. The dominant player in the gas market is Latvijas Gaze.					
Lithuania	> 1m cu m (90%) 07/07: All (100%)	No	Reg TPA	Accounts published. Tariffs approved ex-ante	NCC (gas & electricity)
Unbundling for transmission system operator and distribution system operator by account. The dominant player in transmission and distribution is Lietuvos Dujos. Lietuvos Dujos and Dujotekana UAGas supply Lithuanian consumers. All gas imported to Lithuania is sourced from Gazprom.					
Luxembourg	07/04: All non residential customers 2005 > 80% 07/07: All (100%)	No	Reg TPA	Published for high pressure grid	ILR (electricity, gas, telecoms and postal services)
Full market opening preceded legal transposition of the second EU gas liberalization directive on 01/08/07. One 350 MW gas-fired power station.					
Netherlands	2002 > 1 million cu m 2000: 45% 2002: 51% 07/04: All (100%)	Yes	Reg TPA (Grid) Neg TPA (Storage)	Publication of terms for tariffs, transport & services	DTe (gas & electricity)
Reciprocity clause in place. Access to gas storage controversial. Flexibility services offered by GTS with help of GasTerra (2006).					
Poland	07/00: 25 million cu m 01/06: 71.2% 07/07: All (100%)	Yes	Reg TPA	Tariffs approved ex-ante	Energy Regulatory Office (gas & electricity)
Legal and ownership unbundling for TSO (Gaz-System). Legal unbundling for DSO (six distribution companies within the frame of the PGNiG Capital Group). The dominant gas market player is PGNiG.					
Portugal	01/07: All power generators (45%)	Yes	Reg TPA	Conditions published by regulator	ERSE
Granted derogation to 2010. Supplier choice for all commercial users from June 1 2009, residential from January 2010.					
Romania	01/02: 25% 01/05: 50% 01/06: 75% 01/07: all non-residential 07/07: All (100%)	Yes	Reg TPA	Accounts published. Tariffs approved ex-ante	ANRE
Legal unbundling between TSO and DSO. 04/07 the electricity and gas regulators merged to become the independent Romanian Energy Regulatory Authority (ANRE).					
Slovakia	01/04: >5 million cu m (33%) 01/05: All non residential customers. (72%) 07/07: All (100%)	No	Neg TPA Reg TPA for transit	No publication of accounts. Tariffs approved ex-ante	Regulatory office for network industries
TSO and DSO unbundling by account. Gas market operator SPP dominates the market. The Energy Act allows SPP to refuse TPA to other gas suppliers on the basis of 'take-or-pay' contracts in line with Directive 2003/55/EC. Slovakia fully transposed the EU's second gas directive 09/07.					
Slovenia	07/04: All non residential customers 07/07: 100% (All)	No	Reg TPA	Indicative terms for tariffs, transport & services are published	Energy Agency (gas & electricity)
Legal unbundling for transmission system operator and account unbundling for distribution system operator. Incumbent Geoplin dominates the gas market. From July 1, 2004, Slovenia opened its gas market to all non-household customers in compliance with the EU's Second Gas Directive.					
Spain	01/03: All (100%)	Yes	Reg TPA/ Neg TPA (non-basic storage)	Yes (conditions:TPA tariffs & contract models)	CNE (gas, oil & electricity)
Main Security of supply rules: to keep dependency on one gas source to below 50%, 20 days of firm consumption as strategic reserves and N-1 criterion (preparedness of the system to supply firm demand in case of failure of the biggest entry point). All market participants have import cap of 70%. Six LNG terminals in operation. Regulated tariffs abolished end-2007 but customers can opt for supplier of last resort tariffs.					
Sweden	2000: 47% 07/05: All non residential users (95%) 07/07: All (100%)	No	Reg TPA	Tariffs approved ex-post Tarif fmethod ex-ante	Energy market Inspectorate (gas & electricity)
Svenska Kraftnat is the system operating authority (ISO).					
Turkey	1 million cu m (80%)	No	Reg TPA	No publication of accounts. Tariffs approved ex-ante	EMRA (gas, electricity, LPG & petroleum)
Unbundling for transmission system operator and distribution system operator by account. Botas is the dominant company in the gas market.					
UK	1998: All except N. Ireland (100%)	Yes	Reg TPA	Published tariffs	Ofgem/NIAUR
Ofgem is the regulator for England Wales and Scotland, while the Northern Irelarnd Authority for Utility Regulation is responsible for energy regulation in Northern Ireland.					

Source: EU Energy

BRUSSELS WATCH

Belgian presidency of the EU
Agenda
July 1 – December 31, 2010

September
6-7 Informal Energy Council (Brussels)
(To be addressed: 'a more consumer friendly EU energy policy' and, 'How to build a modern and integrated European energy grid'.)
16 Informal European Council
20 Eurogroup (Brussels)
21 Ecofin (Brussels)
28 Agriculture & Fisheries (Brussels)

October
11 Eurogroup (Brussels)
12 Ecofin (Luxembourg)
12 Environment Council (Luxembourg)
15 Transport, Telecommunications and Energy (Luxembourg)
21-22 European Council (Brussels)
25-26 Agriculture & Fisheries Council (Luxembourg)

November
15 Eurogroup (Brussels)
16 Ecofin Council (Brussels)
18-19 Competitiveness Council (Brussels)

December
2-3 Energy Council (Brussels)

European Parliament meetings:
Plenary sessions
September 6-9 (Strasbourg)
September 20-23 (Strasbourg)
October 18-21 (Strasbourg)
November 22-25 (Strasbourg)

EU Belgian presidency energy priorities
(as of July 2010)

- Preparing the EU Energy Action Plan
- A blueprint for a European Energy Infrastructure Plan
- A benchmarking report on measures to make energy policy more consumer-friendly with a special attention to vulnerable consumers
- Finalizing the review of the European energy program for (economic) recovery (EEPR)
- Energy Efficiency as "an indispensable tool for decarbonizing European society"
- Evolving by 2050 not only towards a low-carbon economy, but towards a low-carbon society.

Belgian Presidency energy events
(www.eu2010.be/calendar)

Energy Challenges for European Industry
September 16-17, 2010 (Spa)

The North Seas Countries' Offshore Grid Conference
October 6, 2010 (Ostend)

Atomium Culture High-Level Workshop
"A low-carbon society by 2050"
October 19-20, 2010 (Brussels)

SET Plan High-Level Conference
November 15-16, 2010 (Brussels)

Biomass Conference
November 29, 2010 (Brussels)

Signing of the MoU on the North Seas Countries' Offshore Grid Initiative
December 1, 2010 (Brussels)

EVENTS

European Technology Platform for Zero Emission Fossil Fuel Power Plants
October 13, 2010
Brussels, Belgium
www.zeroemissionsplatform.eu/regis tration-form.html

2nd Annual European Emissions Markets
October 19-20, 2010
Brussels, Belgium
www.platts.com

EWEA Grids 2010
November 23-24, 2010
Berlin, Germany
www.ewea.org/grids2010

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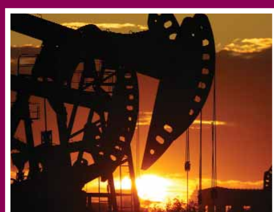

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