

Meeting the Energy Challenge

Europe's Challenges

Europe has significant energy challenges

Costs & Prices

Higher electricity and gas prices relative to other main industrial markets particularly USA

Green Policies

Carbon reduction policies, where renewables are not part of electricity markets

Imported Energy

Largest regional importer of gas, with much coming from Russia

Balancing Demands

Balancing energy security & affordability while encouraging research, development & innovation

Our Solutions

The UK energy industry is delivering solutions, change & improvement

Customers

The focus of all policies should be on affordability for consumers, security of supply, the lowest cost route to going green as well as competitiveness for industry and policy makers should:

- ▶ be open and clear about costs
- ▶ base policy on rigorous cost-benefit assessments
- ▶ explain how policies benefit people
- ▶ recognise the growing importance of security of supply

Suppliers should:

- ▶ be clear and open
- ▶ explain how competitive energy markets benefit customers

Security of Supply

Across Europe we must avoid too many hard & fast rules, develop wide-ranging energy sources & make Europe an attractive place for long-term investment in low-carbon energies

Member States need to:

- ▶ reward power stations that can provide capacity fast and when it's needed
- ▶ promote home-grown energy generated from a variety of resources
- ▶ ensure power station emission limits are realistic and proportionate

Sustainability

Together we need to ensure Europe's green agenda does not put the Union at a competitive disadvantage

Member States need to:

- ▶ tackle the current allowance surplus by carrying out early reform of the EU Emissions Trading System
- ▶ improve energy efficiency by breaking down financial & information barriers
- ▶ promote cost-effective electrification of the heating & transport sectors
- ▶ pursue an active innovation policy focusing on research, development & demonstration
- ▶ find ways to store the energy we can make
- ▶ reduce demand for energy by developing new technologies

Single European Market

Member States must review how electricity market design is operating on the ground and reward capacity and flexibility

Member States need to:

- ▶ prevent subsidies distorting wholesale prices
- ▶ ensure renewables assume their full balancing responsibilities and that all power is traded on the wholesale market
- ▶ build cost-effective interconnectors breaking down barriers where they exist
- ▶ ensure policies are sensible, joined up and don't overlap or conflict
- ▶ make targets simple, clear and practical
- ▶ develop and implement pragmatic Target Models for electricity and gas wholesale markets