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EP committee rejects green power tag trading in new draft law

The European Parliament's industry committee rejected a scheme for trading renewable guarantees of origin to help EU countries meet their binding national 2020 renewables targets in a vote on the draft EU renewables law on September 11.

"We have completely got rid of the European Commission's idea," Luxembourg Green MEP Claude Turmes told reporters in Brussels after the vote. Turmes is responsible for guiding the parliament's debate on the commission's proposed EU renewables law, which set binding 2020 national renewable energy use targets for each of the 27 EU countries as well as measures to help achieve them.

But the commission's proposed scheme for trading renewable energy guarantees of origin – electronic green data tags – across borders to give EU governments some flexibility in how they meet their targets met with fierce criticism from EU governments such as Germany and Spain. They argued that the scheme would jeopardize their existing successful national support schemes for renewables.

Committee members have now voted to replace the commission's scheme with one similar to that of a German-Polish-UK proposal in the EU Council of ministers that would allow EU governments to cooperate on joint projects and agree to transfer parts of their target to each other. Guarantees of origin still appear in the final draft text, but are only to be used for "disclosure," ie proving the renewables provenance of a given MW of power or heat. "We're expecting a quick agreement with the council on these flexibility mechanisms," said Turmes.

Committee members did not change the level of any of the commission's proposed binding national 2020 renewables targets, or the overall binding

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Spanish regulator set to clear Gas Natural/Fenosa merger

Spain's energy regulator CNE is minded to approve the proposed takeover of Spanish power and gas utility Union Fenosa by its larger rival Gas Natural on after *EUE* goes to press on September 18, Carlos Solanillo, press spokesman at the CNE told Platts on September 16.

The CNE's approval is one of several regulatory hurdles that the merger must clear if it is to go ahead.

Gas Natural is seeking to buy a 45.3% stake in Union Fenosa currently owned by Spanish construction company ACS.

"It's 90% certain that the CNE will give Gas Natural the green light to buy Gas Natural but the official word will come Thursday," Solanillo said.

"The key" he said "is whether clause 14 of CNE's statute applies in this case, and that's what will be decided Thursday."

Clause 14 is an anti-monopolies measure brought in by the Spanish government in February 2007 to block the takeover by Germany's E.ON of Spain's Endesa, which was later bought by a consortium of Italian utility Enel and Spanish conglomerate Acciona. The clause seeks to restrict the takeover of Spanish energy utilities by another energy company.

Restrictions imposed by the clause include the need to verify the solvency of the buyer, including a condition that its net debt must not exceed five times its EBITDA earnings, and an assurance

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EU target to have 20% of final energy use from renewables. But they voted to make the commission's proposed voluntary interim targets every second year from 2012 to 2018 binding, and to have the commission impose direct penalties on EU countries which miss them. The details of such a penalty mechanism would need to be negotiated with the commission and council, said Turmes, and should include guaranteed rewards for those countries which exceed their interim targets as well as a ceiling on the per MWh penalty for those who miss them.

Other key aspects of the vote included support for priority dispatch for renewable power and biogas which meets the relevant quality specifications to EU power and gas grids, with the grid operators' costs of connecting to these sources approved by regulators and paid for by all consumers.

Committee members also backed obliging EU governments to produce national action plans to show how they intended to meet their renewables targets, and added a draft EU harmonized template to be used in preparing these plans. They also voted to give the commission the power to oblige EU governments to revise plans which did not meet the template criteria.

Turmes said that he would be asking this week for the parliament's mandate to open formal negotiations with the council to agree a common text of the draft law before the parliament votes in full on the text adopted by the committee on September 11. If such negotiations are successful, the parliament could skip a legislative stage and vote directly on a common text already agreed with council.

If the negotiations fail, the legal process could be prolonged by at least another three months.

Gas Natural/Fenosa merger

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that Spain's energy security is not adversely affected by any deal.

The European Commission has challenged the clause and the European Court of Justice in Luxembourg has ruled that it is illegal, but the Spanish government has still not repealed it.

"In theory Gas Natural could be assessed under this clause, but it's more likely that it won't be subjected to this scrutiny. We [still] have the powers to do this, but then we could be penalized later," Solanillo said.

Solanillo would not comment on how much weight the CNE's views would hold with the government. "We won't get into that that. Gas Natural asked us if they needed to supply us with any information in case clause 14 was applied, but if it isn't applied–everything will be clear on Thursday," said Solanillo.

Approval of the merger between Gas Natural and Union Fenosa would create a national champion, but this would also need to be cleared by competition authorities both in Spain and at EC level if less than two-thirds of the combined group's revenue is in Spain.

Once the CNE has given its view, the deal will be scrutinized by Spain's national competition commission, the CNC, which is expected to decide on the merger in the next few months. But Solanillo said the CNC would base its decision largely on information from the CNE.

Gas Natural is expected to pay between €3 billion and €4 billion ($4.2-5.7 billion) to buy ACS' Union Fenosa stake.

Union Fenosa owns 11,633 of generation capacity, including 8,831 MW in Spain. It also has a gas business including an 80% stake in the Damietta liquefied natural gas project in Egypt.

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HIGHLIGHTS

EU committee backs phasing out free ETS credits by 2020

The European Parliament's energy committee backed full auctioning of EU emissions trading scheme allowances to the power sector from 2013, and to most other ETS-covered industrial installations from 2020, in a formal opinion on the European Commission's draft revised EU ETS law on September 11.

But committee members amended the commission's original proposal to allow power generators to receive some free allowances up to 2020 for power from high efficiency combined heat and power plants, and for any heat from such a plant sold to third parties such as district heating system operators.

They also wanted stronger measures to protect industries at risk of being forced by the EU's tough emissions regime to relocate to remain competitive – so-called carbon leakage.

They called for such vulnerable industries to receive free allowances, to be based on EU-wide sectoral benchmarks which the commission would have to develop by June 30, 2010, until an international climate agreement or binding sectoral agreements guaranteed fair global competition.

The draft EU ETS law is part of the commission's January climate and energy package which proposed a binding target to cut EU greenhouse gas emissions by 20% below 1990 levels by 2020, rising automatically to at least 30% if other industrialized nations joined in as part of an international climate agreement.

But the committee members called for the commission to carry out an impact assessment on the effects of achieving the extra emissions reductions required by such an international climate agreement and if necessary making new proposals to protect vulnerable industries. Such proposals could include continuing to give free allowances or a "border adjustment mechanism," for example an import tax.

Committee members also wanted all ETS installations to be allowed to use more emission reductions credits from projects in the developing world. They would allow installations to offset their domestic reduction obligations by up to 35% "of the greenhouse gas reductions required in the period 2008-2020." But a commission official, speaking on condition on anonymity, said this would have to be clarified to understand what it meant in terms of the absolute number of such credits allowed.

Committee members also called on the commission to submit "as soon as possible" legislative proposals to incorporate the shipping sector into the EU ETS by 2013, and to specify by 2013 the date for including road transport as well.

The committee's opinion goes forward to be considered by the parliament's environment committee, which is responsible for adopting the final text to be voted on by the parliament as a whole.

The environment committee's formal vote is on October 7, with the full parliament vote expected in December. The parliament, commission and EU Council, representing the 27 EU governments, all have to agree on a common text before the draft law can enter into force.

EU renewables vote puts brakes on unsustainable biofuels

The European parliament's industry committee backed on September 11 a binding target of obtaining 10% of the EU's road transport fuels from renewable sources by 2020 but put the brakes on the growth of first-generation biofuels over sustainability concerns.

In a vote on the European Commission's draft EU renewables law proposed in January, the committee backed the controversial target on the condition that two-fifths of the total come from "non-food competing" second-generation biofuels, or from cars running on green electricity and hydrogen.

The European Commission proposed a target in 2003 to see biofuels making up at least 5.75% of road fuels by 2010, but without any sustainability criteria. In January 2008 the commission proposed a binding target of 10% by 2020 with strict sustainability standards as part of commitments to cut emissions of CO_2 and reduce Europe's dependence on imported oil.

But the target soon came under political scrutiny as evidence mounted over the environmental and social impacts of biofuels made from food crops such as rape seed or corn.

The industry committee set an interim target to source 5% of the EU's road fuels from renewable sources by 2015 and also tightened the sustainability criteria for biofuels to count towards the renewable targets. Biofuels must now save at least 45% of greenhouse gas emissions compared with fossil fuels, and compared with 35% proposed by the commission. From 2015 onwards, the greenhouse gas emission saving must be at least 60%, the committee agreed. It also inserted social sustainability criteria, including respect for the land rights of local communities or the fair remuneration of all workers.

The move significantly raises the bar for the majority of Europe's biofuels producers, many of which make first-generation biodiesel from rape seed offering CO_2 emission savings of less than 50%.

The committee's amendments that at least 40% of the fuels target, or 4% of all EU transport fuels, come from non-first generation biofuel cover second-generation biofuels such as cellulosic ethanol. Some green groups, however, are calling for an even stronger shift in EU policy away from biofuels, insisting that all targets should be dropped.

Friends of the Earth Europe said while the committee's decision moves in the right direction, it

continues to call for the EU to cancel the targets as the "massive increase in Europe's demand for biofuels will have a devastating impact on the world's poorest countries."

In the new draft, by 2020 energy efficiency in transport must improve by at least 20% compared to 2005, but the EU politicians left in place the EU's overall target of a 20% share of renewables in total energy consumption by 2020.

Committee members also backed having a review in 2014 of the respective shares of first generation and non-first generation fuels in 2020, as well as the overall 10% target. This would be based on an impact assessment of all fuels used in all forms of transport, including maritime and aviation.

The new directive would require EU member states to adopt national renewable energy action plans setting out their national targets for the shares of renewables in transport, electricity, heating and cooling. But the committee also introduced flexibility mechanisms into the draft directive making it possible for member states to achieve their renewables targets jointly.

Biodiesel makers warn of closures

The EP's decision to rein in targets for first-generation biofuels threatens to effectively shut down the European biodiesel industry within two years, the European Biodiesel Board said on September 12.

The EBB said its industry faces "dramatic" economic damage with more than 80% of biofuels produced in Europe forced off the market if the latest draft is adopted.

The EBB's key concern is the decision to raise the cut-off value for CO_2 savings to 45% initially and to 60% by 2015, compared to a 35% threshold in the initial proposal.

Biodiesel made from rape seed using first-generation technology makes up the majority of Europe's 7 million mt/year biofuels market and the EU has assigned a default value of 36% greenhouse gas savings to the fuel.

"The economic damage to investments made in good faith by the EU biodiesel industry would be dramatic, but very minor when compared to the negative message sent to those who look for more investment security in order to start investing in renewables," the EBB's secretary general Raffaello Garofalo said in a statement.

He said the committee's decision to pare back a target for first-generation biofuels from 5.75% of the EU's transport fuels to 4% by 2015 effectively cut biodiesel requirements by at least 4 million mt/year.

Separately, the European Bioethanol Fuel Association (eBIO) said the committee's move puts at risk over €5 billion ($7 million) invested in EU biofuel production capacity and will likely force a major hike in imported Brazilian sugar-cane ethanol.

The EBB said it now plans to seek a "thorough and more balanced" revision of the "unreasonably" low value assigned to CO_2 savings from first-generation biodiesel in the hope of saving its industry.

"What we hope is that there will be a reaction from Brussels to not go backwards [over biofuel targets]. We still hope there is time for different approach to be adopted," an EBB official told Platts.

The committee's text of the draft EU renewables law is due to be voted on by the parliament in full in October.

The parliament, commission and EU Council of ministers, representing the 27 EU governments, have to agree on a common text before the draft law can enter into force.

Polish ETS problems must not derail new law: MEP

The European Commission's draft new EU emissions trading law must not be overhauled simply to fix some specific problems in a few EU countries such as Poland, a senior European Parliament member said on September 9.

"In a few member states there are particular issues which mean that a certain solidarity will be required from the rest of us to help them achieve their [ETS] targets," Irish center-right MEP Avril Doyle told the parliament's environment committee during a debate on the commission's draft ETS law.

"But I appeal to colleagues not to disrupt the entire architecture of the ETS law to resolve specific problems in one or two EU countries," said Doyle, who is responsible for guiding the parliament's debate on the draft ETS law. "There is a willingness to look at the problem but not at the expense of the whole law."

The commission's draft law recommends full auctioning of ETS carbon dioxide allowances for the EU power sector from 2013, putting an end to the mainly free allowances the power sector has received so far. But this is a highly sensitive issue in Poland, which uses coal for about 90% of its power generation and about 80% of its combined heat and power generation.

There was a big difference in the impact of full auctioning on the power sector in countries with high fossil fuel dependence like Poland and others with perhaps 20% fossil fuel power generation, Polish center-right MEP Jerzy Buzek had earlier told the committee. He also dismissed the prevailing argument for the need for auctioning to prevent power companies' making windfall profits from including the nominal value of their free allowances in their power prices.

"I have seen no serious argument that windfall profits exist in eastern European EU countries," he said. Auctioning would simply act as a tax, increasing power prices.

Buzek was also unimpressed by commission proposals to redistribute 10% of the overall ETS allowances available for auction from richer EU countries to poorer ones – the solidarity mechanism. "We don't want redistributed revenues – that's not a market economy," he said.

Instead Poland is pushing in the parliament and EU Council of ministers for mainly free allowances for the EU power sector with some auctioning.

The environment committee is due to vote on its final recommended draft text for the EU ETS law on October 7, with a full parliament vote planned for December.

The commission, parliament and the EU Council, representing the 27 EU governments, have to agree on a common text before the draft law can enter into force.

EC ponders emissions limit for new EU power plants

The European Commission is willing to look further into proposals from European Parliament members to set limits on carbon dioxide emissions from new power plants, a senior commission official said late September 9.

"The commission could turn to its Joint Research Center to assess what the thresholds proposed by the parliament [members] would mean in practice for operators," the commission's energy and environment unit head in its environment department, Piotr Tulej, told the parliament's environment committee.

The comment came during a debate on the commission's January draft proposal for an EU law on carbon capture and storage, to which environment committee members have proposed more than 400 amendments.

The commission proposed in January that all combustion power plant of 300 MW or more developed after the law enters into force must be CO_2 "capture-ready" – that is, able to retrofit to capture and store CO_2 at some future point.

But several committee members, including UK center party MEP Chris Davies who as rapporteur is responsible for guiding the parliament's debate on the draft law, have proposed setting new power plant an emissions limit of 350gCO_2/kWh instead.

"We don't need a Joint Research Center study," said Davies. "350gCO_2/kWh would prevent all but the most modern gas plant being built."

Davies said that EU governments could be given the option to opt out of the emissions limits "as long as they were on track to meet their emissions targets in other ways."

The commission has proposed binding national 2020 emission reduction targets for each of the 27 EU countries. In total, and combined with a separate target for the EU emissions trading scheme (which covers the power sector), these targets would see the EU cut its total emissions by 20% below 1990 levels by 2020.

The aim of an emissions limit for new power stations, said Dutch Green MEP Kathalijne Maria Buitenweg, was to keep the technology options open and not restrict them to carbon capture and storage.

A separate amendment from UK centre-right MEP John Bowis proposing a 500gCO_2/kWh limit would exclude new coal and oil plant without carbon capture and storage, said Bowis.

"Coal and oil wouldn't meet it without capturing 90% of their emissions." The committee is due to vote on the amendments on October 7, with the parliament in full expected to vote on the committee's final recommendations in December.

Stakeholders seek balance in EU energy market laws: study

Strong market-wide support exists for strengthening the power and independence of national regulators in Europe, according to a survey of European energy market stakeholders conducted by consultancy firm Moffatt Associates on behalf of the European Commission.

The survey, completed July 2 but made publicly available on September 10, also said strong support exists for providing a legal basis to underpin the European regulators' group for electricity and gas' regional integration program and creating some form of EU-level regulatory oversight to ensure consistency and delivery of common market rules.

All these points are under EU-level discussion as policymakers debate the EC's proposals for its third energy market opening package, but the Moffatt study highlights market stakeholder fears that the proposed legislation could be severely diluted or delayed and that retroactive controls might be brought in to compensate for soaring energy prices, the report said.

The Moffatt study – a review and analysis of wholesale energy markets conducted between January and May this year – aimed to identify and evaluate key factors affecting liquidity and efficiency of EU wholesale electricity and gas markets, the firm said. It involved in-depth interviews with leading stakeholder associations – including Efet, Eurelectri, Eurogas, Ergeg and Ifiec – and nine focus-group discussions on regional power and gas markets with 113 representatives of regulators, energy exchanges, traders, generators and suppliers, shippers, TSOs, and major energy users. An online survey also was conducted.

On liquidity, incentives to encourage more investment in interconnectors, the removal of regulated end-user prices and harmonization of rules relating to third-party access, balancing and investment in networks by transmission system operators are measures most likely to have a positive impact on future European electricity market liquidity, survey respondents said.

For the European gas market, stakeholders rated incentives to invest in national and cross-border transit capacity, harmonization of market rules relating to TPA and balancing and high-level minimum standards for infrastructure data disclosure as measures most likely to have a positive effect on future market liquidity.

No consensus on wholesale transparency

The Moffatt study found that stakeholders perceive a need for transparency in the European energy markets that would be monitored at the EU level, rather than relying on transmission system operators to ensure fair access to information.

There were more extreme views, however, on the issue of greater wholesale transaction transparency.

Views ranged from "users who favor more stringent reporting because they see wholesale markets as being dominated by financial speculation, to utility traders who have welcomed the increased liquidity brought by the growth in financial trading and fear that a more rigorous reporting to regulators could jeopardize market liquidity," the report said.

The study also looked at whether there is a need to disclose more pre- and post-trade data and whether or not there is a need to extend the markets in Financial Services Directive as a rule for energy, Clive Moffatt, Managing Partner of Moffatt Associates said in an interview.

"Respondents to the survey were generally not in favor of this and, possibly surprisingly, the majority of regulators contacted for the study also responded that most were not in favor," he said.

"Most are against a separate rule for energy, partly because they don't understand the complexities involved and partly because they think it is outside of their area of authority and should be dealt with by competition authorities rather than energy regulators," Moffatt added. "They think it would be expensive and they think it would require new units to be established," he said. "Most think there would be a reduction in liquidity."

Respondents to the survey also perceived there was a danger that excessive financial compliance would put the brakes on trade. "Banks say they are already convinced that this area is covered by FSA rules and MiFiD," Moffatt said.

There is also a concern in the EC that changing the rule for energy could set a precedent for other commodities, such as grain prices," he said. "The aim is to prevent market abuse, but in futures trading it is very hard to determine if anyone is abusing their market position or if there is 'excessive market speculation.'"

"So, in the wholesale energy markets the question being asked is "why do you want all this data? There is a need to justify asking for it. The Financial Services Authority is not anxious about extending their rules to energy commodities," he said.

Moffatt predicted that member state governments might be prompted to bring in new rules in this area in response to rising energy prices. "With prices rising so sharply in the last six months – driven by oil and gas – there will be a knee-jerk reaction by governments to control speculators trading on indexes to oil and gas prices, but this is difficult to control, so governments are thinking again about regulated prices as another line of attack to keep prices low for consumers," he said.

Stakeholders see this as a more serious political threat in the short term to the evolution of competitive wholesale markets, the survey concluded. "If the political pressure "to do something" is irresistible, then urgent measures requiring further investigation could include; preferred market "design" criteria, transparency rules covering all types of energy trading not just energy exchanges and joint regulatory oversight of exchanges by the proposed new [Agency for the Cooperation of Energy Regulators] and securities regulators," the survey said.

APX, ENDEX merge to form single energy exchange

With the announcement of a merger between Anglo-Dutch power and gas exchange APX and Dutch power and gas derivatives bourse ENDEX, Europe's energy markets have a new big player next to German and French EEX/Powernext and Nordic NordPool.

While details of the merger have yet to be disclosed, it is already clear that this merger will have an impact on ongoing continental European market coupling and on the creation of a UK-forward power and gas exchange which is being prepared.

After the merger of Germany's EEX and France's Powernext, which is already in progress, this fusion means that the number of exchanges in the German, French, Dutch and Belgian continental power markets – which are undergoing market coupling –will be reduced from five major bourses (APX, BELPEX, EEX, ENDEX and Powernext) to two major players with EEX/Powernext and APX/ENDEX and one minor player with Belgium's BELPEX.

Sources said it will now only be a matter of time until Belgian BELPEX joins one or the other team.

But the merger is also set to have a deep impact on the UK energy market, where there is a tender in place for setting up a new UK forward power and gas exchange. APX, EEX and Swiss/German derivatives exchange Eurex are all participating in the tender.

EEX looked to be the competition's strongest contender, already being the biggest and most liquid exchange involved, especially after it set-up a cooperation with Eurex.

Although still smaller than the Swiss/German team, the APX/ENDEX merger could be aimed at countering the EEX/Eurex efforts in the UK.

As an Anglo-Dutch exchange, APX is already strong in the UK. With ENDEX, there are derivatives experts on board that make APX's bid for the UK forward exchange look equally as strong as that of EEX/Eurex.

For Europe's energy markets as a whole, the merger is good news and market players welcomed the announcement.

"We are seeing that Western and Northern Europe's energy markets are integrating at an increasing speed and this is good news for everybody in these areas," said one German trader, adding that it "puts all the more pressure on southern Europe to even get started in the process of market integration."

EU signs energy partnership accord with African Union states

The EU has strengthened energy links with African countries after senior African and EU officials launched an Africa-EU energy partnership in Addis Ababa, Ethiopia, on September 8.

African Union infrastructure and energy commissioner

Elham Mahmoud Ahmed Ibrahim, EU energy commissioner Andris Piebalgs and EU development commissioner Louis Michel signed a "joint statement on the implementation of the first Action Plan of the Africa-EU Energy Partnership," the European Commission said in a statement.

The partnership's key aims include promoting electricity interconnections within Africa and between Africa and the EU, and to cooperate on identifying energy projects of regional interest that could be eligible for EU financing.

Other aims include developing a road map for renewable energy cooperation, to be discussed in early 2009, and supporting African oil and gas producing countries' efforts to cut gas flaring.

The joint statement urged European countries and the private sector to increase investment in the African energy sector, and highlighted the need to launch as soon as possible twinning activities for renewables, energy efficiency and market reform.

The statement foresees a high-level Africa-EU energy ministerial meeting every two years, plus an informal joint energy experts group meeting at least once a year to coordinate the various activities foreseen in the action plan.

The first such informal joint experts meeting is to take place in Addis Ababa in October 2008.

The September 8 joint statement is to be officially endorsed October 1 at a formal meeting between the African Union Commission and European Commission in Brussels.

The EU sees Africa as a key region to provide the renewable energy it will need to meet its proposed binding 20% by 2020 renewable energy target, EU external relations commissioner Benito Ferrero-Waldner told a high-level energy security conference in Egypt last November.

And EU politicians such as Belgium's federal energy and climate minister Paul Magnette see great gains in linking the EU's electricity grid to the vast potential renewable resources in North Africa and the Middle East.

"Building something to put together the strength and resources of the EU and its neighbors to be the leading renewables zone in the world would be beautiful," he told a wind energy conference in Brussels in May.

OECD nuclear chief says 1,400 reactors by 2050 is 'realistic'

A world with 1,400 nuclear reactors operating by 2050 is "realistic" if there are sufficiently high levels of government and public support, Luis Echavarri, director general of the Organization for Economic Co-operation and Development's Nuclear Energy Agency, told a Washington briefing on September 10.

Echavarri was previewing findings from the agency's forthcoming "Nuclear Energy Outlook" report to be published in October. He said NEA found that it would be "feasible" for the world nuclear industry to construct about 54 new units annually between 2020 and 2050 if national governments and the public commit to a goal to address climate change and energy security issues.

It would take the industry about 10 to 15 years to gear up to those production levels, he said.

In an alternate scenario in the NEA report, nuclear power develops "very slowly" and is seen as less attractive due to its high costs and public concerns. Even with those assumptions, world nuclear capacity could rise from about 300 GW now to 500 GW by 2050, Echavarri said.

There are "plenty" of uranium resources to support nuclear power expansion for "hundreds of years," and advanced reprocessing and recycling technologies offer the possibility of extracting 17 to 50 times more energy from that uranium, he said.

Iran wants a decision on Nabucco

Iranian Oil Minister Gholamhossein Nozari on September 14 urged Austria's OMV as leader of the EU-backed Nabucco gas pipeline project to finalize a gas supply agreement with Iran and said that unless a deal was finalized soon, Iran would look for other gas export partners, oil ministry news agency Shana reported.

"I usually tell these companies that in case of delay, they might lose their chances," Nozari was quoted as saying.

"If OMV and other companies involved delay [agreement] on the Nabucco gas pipeline, they may lose the chance," he said.

OMV's CEO, Wolfgang Ruttenstorfer, said in July that the planned 30 billion cu m/year Nabucco gas pipeline project linking the EU to the Caspian Sea and the Middle East will not be built without gas from countries like Iraq and Iran to fill it.

OMV leads the consortium planning Nabucco, which Ruttenstorfer said was intended to give the EU direct access to gas from the Caspian Sea region initially and "tomorrow" from Iraq and Iran.

The Nabucco project is designed to transport Caspian gas to Europe via Turkey, bypassing Russian territory and reducing Europe's dependence on Russian supplies. Moscow backs a rival pipeline, South Stream, which would ensure Russia's control of Caspian energy supplies.

But political considerations have made it difficult for the EU to proceed with serious negotiations with Tehran so long as the nuclear crisis remains unresolved.

OPEC producer Iran has the world's second biggest natural gas reserves after Russia, the biggest supplier of gas to the European market. But despite its vast gas reserves, estimated at over 26 Tcf, Iran is not a major gas exporter, partly because of its high domestic consumption and the use of large volumes of gas for reinjection. Further development of its South Pars field has been hampered by international sanctions and a US ban on investment in Iran's energy sector.

Iran currently exports gas to Turkey, which is the sole buyer of Iranian pipeline gas.

North Sea offshore wind grid fits EU energy policy bill

More renewables use, more interconnections between EU countries, more reliable power flows and more cross-border power trade – could a huge offshore wind power grid in the North Sea help make all these EU policy aims a reality? A new study* commissioned by environmental group Greenpeace says it can. **Siobhan Hall** reports.

The value of an offshore power grid linking wind farms in the North Sea lies mainly in its role for enabling power trade across regions, increasing both energy supply security and the reliability of wind power generation, according to the Greenpeace-sponsored study.

Such a grid would create the physical and technical basis for new power trading between countries bordering the North Sea, said the study, which was written by energy consultancy 3E.

There are more than 100 North Sea offshore wind farms, totaling 68 GW, planned to come online by around 2030, and this is "just a first step," said Greenpeace's Belgium renewables campaigner, Jan Vande Putte.

"Between 2020 and 2030 offshore wind in the North Sea could generate 250 TWh/year," he said, "which is about three times the total annual demand of Belgium and about 14% of the current total annual output of the North Sea countries."

Wind power's intermittency – it is only available when the wind blows – is considered a big problem by grid operators who have to keep the grid in balance. But Greenpeace is urging the North Sea countries – Belgium, Denmark, France, Germany, the Netherlands, Norway and the UK – to cooperate in building an integrated power grid big enough to smooth out variations – intermittency – in wind power generation across the grid.

"Variable wind power is reliable, said Vande Putte, "particularly when combined with [flexible] power generation such as hydropower and gas."

Integrating Norway's 28 GW of installed fast-response, low marginal cost hydropower into this grid, for example, could help even out any peaks in demand, enabling offshore wind farms to supply consumers reliably and consistently, says the study. The demand profiles of continental Europe, Great Britain and Scandinavia are already partly complementary, it says, because of the different time zones and different industrial and regional habits.

But large-scale wind is less compatible with traditional baseload power such as coal and nuclear which are not designed to be switched on and off quickly in response to changes in demand, said Vande Putte.

"Large, outdated coal and nuclear plants have to be phased out and replaced with a more renewable, efficient and smartly-managed power system," Greenpeace recommends in the study. "No new, large coal or nuclear power plants should be licensed, and existing plants must be replaced progressively with flexible, highly efficient and more decentralized plants."

But this view is unlikely to be shared by the European Commission, said its head of unit for promoting renewable energy, Hans van Steen.

"More renewables doesn't negate the need for nuclear and coal in the short term," he said. "The commission will look at whether nuclear and coal are incompatible with renewables. I'm not sure we will share Greenpeace's views."

But van Steen welcomed the study as a whole as timely and important with positive findings. "It shows that once you reach a high level of wind over a large area, for example the North Sea, you address the intermittency problems and have more stable output," he said.

EC supports coordinated approach to offshore

The commission also supported an EU-coordinated approach to developing offshore wind, said van Steen. "We are looking at this in a specific offshore wind paper which we hope to issue later this autumn," he said.

It was important to coordinate different policy areas such as spatial planning at sea and industrial development, said van Steen. "We have relatively few turbine producers with experience in large offshore wind farms. We need to boost industrial capacity and investments."

The EU also needs integrated planning for maritime areas, he said. "We are working with the commission's maritime affairs department on this, looking at fishing, shipping and so on."

In January the commission proposed binding targets for 20% of the EU's energy to come from renewable sources by 2020. "The commission believes that we need at least a third of EU power from renewable sources to meet this target," said van Steen, "of which a third would come from wind power and a third of that would be from offshore wind."

Offshore grid offers new trading potential

The potential integrated 6,200 km offshore grid foreseen in the study would cost about €15-20 billion ($22-29

billion), assuming all the transmission lines had a 1 GW capacity.

Power lines linking offshore wind farms in one part of the North Sea directly to those in another part or to another country's shoreline would in many cases be a cost-efficient alternative to new shore-to-shore interconnectors, argue the study's authors.

"Offshore wind farms will need high capacity links to shore anyway, around 15-20 GW for the big wind farms such as those planned off Britain's east coast or off the German coast," 3E's Achim Woyte, who co-authored the study, told Platts.

But this capacity will not always be fully used, given wind's variable output. The study estimates that with 68 GW installed, the use would vary from 10 GW to 68 GW 80% of the time.

"If you then build a smaller line, say 5 GW, connecting the offshore German and UK wind farms [and thus the two national onshore grids] then you would always have 5 GW available to feed into one or other national grid," he said (*see map*).

Such an interconnector would be shorter, and therefore usually cheaper, than a traditional shore-to-shore interconnector, and could also be used to trade power generated onshore whenever there was spare capacity.

Demand for such offshore links would be driven by the commercial arbitrage opportunities between regions, said Woyte. The first North Sea offshore candidates would be the expected 15 GW of projects on the Dogger Bank off the UK's east coast and the 26.4 GW of projects planned for the neighboring German Bight off Germany's northern coast west of Denmark.

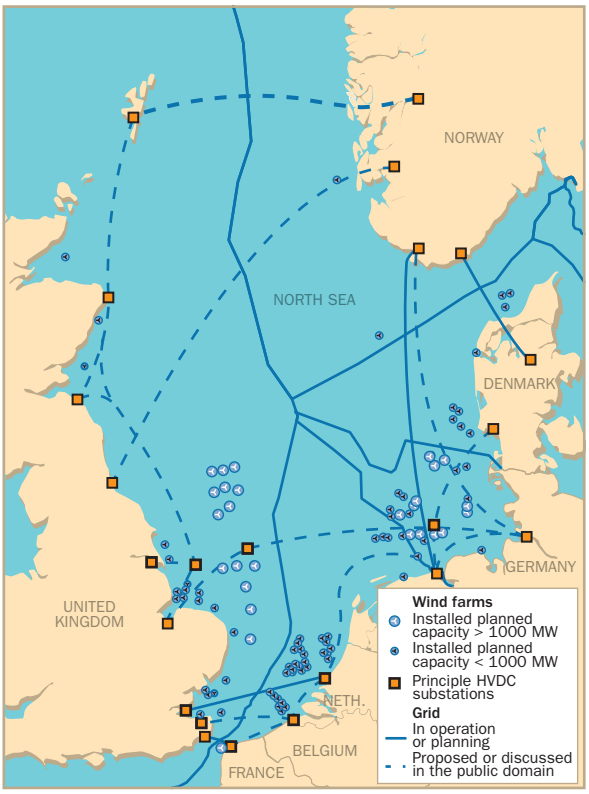
According to Platts data, UK day-ahead peak power prices are currently about €20/MWh above their German equivalent, while UK baseload prices are around €12/MWh higher.

Such arbitrage opportunities are already driving commercial investments in shore-to-shore power links. For example, the 700-MW sub-sea NorNed power cable linking Norway to the Netherlands that opened in May cost about €495 million to build, said Woyte, but generated €50 million from trading in its first two months of operation.

NorNed's developers, Norwegian grid operator Statnett and Dutch grid operator Tennet, say on Statnett's website that "the expected revenues are sufficient to cover the costs with acceptable margins."

But Woyte does not want to see commercial traders alone deciding EU power flows. "Offshore wind generators must always have priority access to the off and onshore grids in order to be able to feed in all their output," he said.

Offshore grid topology proposal and offshore wind power installed capacity scenario



Source: Greenpeace

EU infrastructure policy moves up agenda

After proposing renewables and emissions targets in its January climate change package, and measures to complete the EU's single energy market last September, the commission is now turning its attention to security of supply and infrastructure.

NorNed, for example, was a designated project of priority European interest under the EU trans-European networks program, which seeks to improve interconnection between EU countries' energy systems both to improve security of supply and to develop an integrated, liquid single EU energy trading market.

The EU has a voluntary target for every EU country to have power interconnection capacity equal to at least 10% of its domestic installed capacity.

The commission's second strategic EU energy review, expected this autumn, is to focus on the EU's infrastructure needs in the light of its new climate and energy security priorities. The review is to be accompanied by a consultation paper on the trans-European energy networks guidelines for identifying key projects.

** A North Sea electricity grid revolution, written by 3E, commissioned by Greenpeace, available at www.greenpeace.eu*

EU's internal policies praised, but external policy needs work: IEA

The European Union is praised for its progress towards a single European energy market and its bold stance on climate change, in a new report by the International Energy Agency. But while it has done well to get its own house in order, it needs to work on a united front in relations with neighbors. **Paul Whitehead** reviews the report.

The International Energy Agency, a Paris-based international non-governmental organization that was founded by the Organization for Economic Cooperation and Development in the wake of the 1974 oil crisis, regularly reviews the energy policies of its member countries. But for the very first time, this month, it has published an in-depth review of the energy policies of the European Union, reflecting the fact that for the EUs 27 member states, many of whom are also members of the IEA, energy policy is increasingly determined at the European level.

The report* published on September 4 will be welcome reading for EU energy policy makers, not least the European Commission, but there are warnings too, that this is no time for the EU to rest on her laurels.

A world leader in tackling climate change

The EU deserves particular praise, according to the IEA, for the leading role it has taken in tackling climate change – not least setting up the European Emisisons Trading Scheme, the world's first cross-border system for trading carbon emissions permits.

"We really commend the European Commission's efforts to tackle climate change and security of supply," the IEA's executive director Nobuo Tanaka said at the launch of the report on September 4 in Brussels.

He said the EC's January 2008 package of climate change proposals, which included binding 2020 targets for each of the 27 EU countries to increase renewable energy and cut carbon dioxide emissions was "bold and innovative."

But he urged EU politicians to make full use of transparent market mechanisms to achieve them, highlighting the importance of the ETS

"This is working very well, it's a very notable achievement," Tanaka said. "It offers other IEA members [such as the US and Australia] valuable lessons on how to avoid obvious pitfalls and implement the elements which work."

"It has become the cornerstone of EU efforts to reduce emissions in a cost-effective manner. The EU-ETS represents the world's largest GHG emissions trading scheme and covers about 45% of the EU25 total CO_2 emissions, or about 2.2 Gt CO_2," the report states.

The IEA also believes the EU could learn from its experiences in emissions trading to devise a market framework for promoting renewable energy.

In its January 2008 climate change the EC set binding national targets for each member state to ensure that a minimum percentage of all primary energy comes from renewable energy sources. These range from 10% in Malta to 49% in Sweden and feed in to an overall EU-wide target to get 20% of all primary energy from renewables by 2020. At the moment the EU has a 10% renewables target for 2010, which the IEA says it is unlikely to meet.

The report notes that current legislative programs leave the door open for cross border trading of guarantees of origin, allowing member states who exceed their renewables targets to sell certificates to countries that fall short, but that this proposal faces resistance on the grounds that it could deter investment in higher cost renewables, that a pan-European trading scheme could be incompatible with existing trading schemes in those countries like Sweden and the UK that have opted for a trading scheme rather than feed in tariffs to meet their current renewable energy goals. It also notes the concern that existing low-cost renewables producers could make windfall profits from any trading scheme if new entrants face non-economic barriers like planning bottlenecks.

[The ETS] is working very well, it's a very notable achievement – Nobuo Tanaka, IEA exucutive director

But the IEA takes issue with these concerns and warns that restricting cross-border trade for renewables certificates would like lead to higher prices.

"Full restrictions on the trade of Guarantees of Origin for renewable electricity will increase electricity prices within the EU by 2% above the least-cost renewable energy supply (RES) target fulfilment, which assumes no restrictions on trade. This can add up to €8 billion of extra annual costs by 2020 compared to the scenario where trade is without restrictions," the IEA's review of EU energy policy warns.

IEA's Tanaka added at the press briefing in Brussels that the EU should be able to design a trading scheme that does not undermine national subsidy programs.

"EU governments' ability to restrict renewable guarantees of origin trading between countries should be removed earlier than 2020," he said.

The IEA also calls on the EC to set out what action it intends to take between now and 2020 if member states are not on track to meet their renewables targets.

Competition barriers remain

As well as praising the EU's commitment to tackling climate change, the IEA review commended the progress the EU has made in liberalizing its gas and power markets and recent proposals to overcome remaining barriers to competition in the EC's September 2007 third package of energy market liberalization reforms, especially the EC's preferred option to force integrated gas and power utilities to unbundle their transmission grids..

"Unbundling is a simple but beautiful way to increase competitiveness, security of supply and renewables," said Tanaka. "Regulation is always a second best solution."

The IEA saw unbundling TSOs as critical to stimulating competition and integrating the EU energy grids, said Tanaka. A bigger, integrated EU energy market would also benefit renewables and security of supply.

Similarly, the IEA backs the EC's proposals for more uniform regulatory structure across the EU, namely the proposal to set up the Agency for the Cooperation of Regulators (ACER).

The IEA's report says regulators need to balance the needs of all stakeholders in the energy market "including customers', retail suppliers', generators', network companies' and overall society's welfare," but stresses that the effectiveness of regulation varies from state to state.

"Only a well resourced independent regulatory authority can play this crucial role effectively. Such regulatory authorities have developed in the EU, but often lack the required independence from day-to-day political intervention and the required decision-making powers," the report notes.

"The Commission is commended for its efforts to seek the establishment of a new mechanism through ACER," it says.

The creation of regional power and gas markets as a first step towards a truly borderless European energy market is also welcomed by the IEA, but its report warns the EC of the need to "continue to monitor cross-border investment, and implement additional processes such as assessments of regional needs and opportunities, should investment be deemed inadequate".

Likewise, it urges that transparency is an essential part of well-functioning market, and, again, work needs to be done.

"Transparency has only developed very slowly in the EU, even if significant progress has been observed lately. The lack of progress is likely to be related to the deficiencies in TSO incentives and the regulatory framework," it suggests.

The limitations of competition are obvious in the energy retail market according to the IEA.

"The slow and sporadic development of real retail competition for residential customers across the EU shows that attention to this issue has not been strong enough. According to the Commission's sector inquiry, it is likely that the higher prices were also somewhat due to a lack of competition," the report notes. .

The IEA called on member states' governments to make sure supplier switching processes are simple and transparent so that customers can change supplier with confidence, though it stresses "switching rates are not the only indicator for true competition in retail markets".

"Retail competition, moreover, is distorted by regulated supply tariffs where these exist," it adds referring to regulated tariffs in countries like Spain which have been retained to supposedly protect consumers from the full blow of market prices. It says these are "a critical barrier to retail competition and generally have the effect of keeping the recipient consumers from moving into the competitive market," and that they shield customers from information about the true price of energy.

In Spain, where regulated tariffs for electricity consumers were finally phased out in July (though some still run to January), the difference between regulated and market tariffs is estimated this year at over €3 billion, which is added to an ever growing tariff deficit owed to utilities. The IEA feels instead that in those few countries where real competition has developed, this has offered "far better protection, particularly in the long run."

Need for united front

The EU's few weaknesses in competition and environmental policy, however, come nowhere near its weakness in external energy relations, the review says.

"Energy security is a pressing issue in energy policy and has rapidly risen up the European Commission's priority list, because of increasing import dependence of the EU, and high energy prices," the report stresses. It further points out that under current policies net energy imports are set to rise by 41% between 2005 and 2030 because of rising energy demand coupled with lower EU fossil fuel production and a projected cut in nuclear power use.

The report notes that the EU only met 43% of its gas demand from internal sources in 2005 and that this was expected to fall sharply in coming years as the EU's own gas production peaked in 2005. And the EU is dependent on just three countries, Russia, Norway and Algeria, which together provide 84% of all gas imports, with Russia alone accounting for 42%, compared with just 13% from other countries in the form of LNG.

In oil the picture is far worse, with the EU only able to meet 14% of demand from own production and only one member state, Denmark, was a net oil exporter in 2006.

The review excludes Norway, which is not a member of the European Union, although it is integrated in the EU's energy market through its membership of the European Economic Area. If Norway were included the EU's dependence on imported oli and gas would be lower.

And the EU's oil dependence is aggravated by the fact that EU consumers are switching from gasoline to diesel. Since 1998 diesel consumption has outstripped gasoline the IEA notes, but the EU produces more gasoline than it needs, and not enough diesel, resulting in the need to export gasoline and heavy fuel oil and import diesel.

In coal, the EU is a net importer of hard coal, with imports covering 40% of demand, almost all of which is from power generators, according to the IEA review. Most of the imports come from South Africa and Russia, which account for 25% each. But the EU is self reliant in lignite.

Yet despite this obvious dependence on non-EU member states for oil and gas, the EU's external energy relations are "perhaps the weakest policy area," said Tanaka, with many EU countries preferring bilateral relations with energy producer countries.

IEA's Key Recommendations Summary

Amongst its many recommendations to the European Union the IEA calls on the European Commission to

- Vigorously pursue the implementation of the proposed energy and climate change package of 23 January 2008, while taking particular account of the need for greater energy efficiency, and the need to provide investors with certainty by clarifying policy aims
- Continue to push for the adoption of the proposals contained in the 3rd Liberalization Package of September 2007, to make sure that European energy markets will be open, transparent and competitive in the future.
- Boost funding for energy R&D to ensure that this is appropriate to the scale of the energy and climate challenges faced, and also consider rebalancing funding within the energy R&D budget to take proper account of the priorities in non-nuclear R&D.

And not using the full weight of the EU in talks could lead to individual countries losing out in the longer term, he said. "The EU should take a coordinated approach to external relations."

It was important for the EU to engage in dialogue with producer countries, said Tanaka, and to create an attractive inward investment climate, particularly by building more interconnectors between EU countries to integrate the EU market.

In an effort to cut its dependence on a handful of countries, the European Union is actively pursuing projects that would allow it to import energy from other areas, including Iraq, the former Soviet Union countries of central Asia, and, controversially, Iran. One of the most prominent of these projects is the Nabucco gas pipeline project to connect central Europe with gas producers in the Middle East and central Asia – it is still far from clear where the gas to fill Nabucco will come from.

The IEA review points out that this is at odds with industry convention, where gas pipelines tend to be built by producers seeking export markets for their gas, not by potential importers seeking diversified gas sourcing.

"Nabucco … is currently one among the few downstream-driven big supply projects, without the direct involvement or influence of an upstream player, which potentially enhances competition in the European markets. This also significantly complicates the project development, by necessitating an iterative process of capacity allocation that allows prospective shippers to guarantee supplies once they have secured a tranche of the shipping capacity," the report warns.

More efficiency, more R&D

The EU's projected increase in energy efficiency and renewable energy production would not be enough to slow growing import dependence, but it could slow the increase, the review states.

Tanaka urged the EU to use energy as efficiently as possible and to favor low carbon technologies.

"It's difficult to see how phasing out nuclear [as some EU countries plan] is compatible with increasing low carbon energies," he said.

However, even if EU member states were to embrace a new generation of nuclear power plants, it would become more dependent on imported uranium unless there was a parallel effort to boost EU uranium production.

"The EU is almost completely dependent on imported supplies of uranium for reactors operating inside the EU27. Three countries supply almost 59% of EU needs."

Of these Canada was the biggest supplier, accounting for 24% of supplies in 2006, followed by Russia, which

supplied fuel primarily to the former Comecon states of eastern Europe, and Finland.

And the report noted that the EU's much lauded environmental policies – through which it has become a world leader in the fight against climate change – could however be at odds with its desire to cut import dependence and diversify its energy sourcing. The EU's environmental policies meant that domestically produced coal was leass viable as a feedstock for power generation.

"It is also not clear how the expected reduction in coal-burning in power generation, because of increasingly stringent environmental constraints and increased cost resulting from the necessity to invest in carbon permits, will affect the import balance for coal

For the EU to meet its goals both in terms of climate change and energy security, the union needs to invest much more in energy-related research, the IEA concludes.

"In the longer term, new generations of technologies have to be developed if Europe is to meet the greater ambition of reducing GHG emissions by 60% to 80% by 2050. Given the time scales for energy R&D, this means that the research effort must commence now, a situation which poses a challenge for the Commission," the review states.

It points out that in the EU's seventh framework program (FP7)research program the amount of money spent on energy research has "declined significantly" since the 1980s.

"Unfortunately, FP7 was developed before energy emerged as a key concern in EU energy policy. As a consequence of this misstep in timing, only €2.35 billion is allocated to non-nuclear energy research from 2007 to 2013,"

This contrasted, for example with €9.05 billion being spent on information technology and over €6 billion being spent on health research.

To partially address this imbalance, the EU has developed a Strategic Energy Plan, laying out the commission's EU research priorities for developing low carbon energy technologies such as wind, solar, bioenergy, nuclear fission and carbon capture and storage, as well as improving power grids.

Tanaka called on the EU to allocate more money to non-nuclear energy research between now and 2013, and on EU countries to provide the financing to support the SET, which the EC proposed in November 2007.

EU energy commissioner Andris Piebalgs said on September 4 that the IEA's report was "very useful" and that the commission would be taking its finding into account in future work on energy policy.

**IEA Energy Policies Review – the European Union is available from the IEA bookshop: www.iea.org/w/bookshop/add.aspx?=id331*

COMPETITION

Belgium

GDF Suez sells further stake in Fluxys to Publigas

France's GDF Suez has agreed to sell to Belgian municipal holding company Publigas a further 6% of shares in Fluxys at the end of 2009, which would bring Publigaz' share in Belgium's gas transport operator to 51.28%, GDF Suez said on September 3.

Publigas decided on August 28 to exercise its pre-emption right over a 12.5% stake in Fluxys which GDF Suez agreed to sell to investment firm Ecofin, at a price of €228.3 million ($330.3 million).

After the transaction, Publigas will hold 45% of Belgium's transport operator whilst GDF Suez will hold 44.75%. GDF Suez must relinquish some of its stakes in Belgian companies, including Fluxys, to conform to conditions set by the European Commission for its recent merger.

In a new move, GDF Suez has agreed to sell a further 6.28% share in Fluxys to Publigas on December 31, 2009, the French company said. The price will be €2,600/share, the same price as for the 12.5% share transaction.

Publigas will appoint a director of the Fluxys board in an annual general meeting in 2010, whilst GDF Suez will name a director of a strategic committee.

According to Belgian press reports in July, the federal government, which holds one "golden share" in Fluxys, entitling it to influence strategic decisions, wants to pass a law which would force GDF Suez to reduce its stake in Fluxys to below 25%.

The government wants to restrict any "supplier of electricity or gas, any producer of electricity, or any intermediary" to a stake in the grid operator of no more than 24.99%, and the bill could be passed as early as September, the reports said.

Zeebrugge terms agreed

GDF Suez also said on September 3 it had agreed terms with Publigas over the ownership of Fluxys International, the proprietor of the Zeebrugge LNG terminal. Fluxys will manage the company and GDF-Suez will bring into Fluxys International its 5% shareholding in the pipeline operator Interconnector UK. Fluxys International will be 60% owned by GDF Suez and Publigas and Fluxys will each have a 20% share.

Furthermore, GDF Suez, Publigas and Fluxys have agreed to analyze in 2010 the performance of Fluxys International following the change in ownership, with regards to insuring non-discriminatory operation of the LNG terminal with regard to Fluxys customers. The parties will also look at how to develop and maintain the LNG port through investments.

Italy

EC clears Russian companies' stake in Enia Energia

The European Commission on September 16 agreed to allow two Russian-owned companies to buy into Enia Energia, a regional gas and power retailer in northern Italy, and take joint control of the company in partnership with its current parent, Enia.

The two companies are ZMB and Centrex Europe Energy and Gas. ZMB is based in Germany and is a subsidiary of Russia's state-owned gas monopoly Gazprom, while Austria-based Centrex Europe Energy and Gas is ultimately controlled by the Bank for Foreign Trade of the Russian Federation, the commission said.

The commission found that the proposed deal would not impede competition in Europe or any substantial part of it, as Enia accounts for only a small part of Italian gas demand, and Gazprom supplies only a limited amount of Italy's total gas imports.

Centrex focuses on gas marketing, mainly in the EU and the Community of Independent States countries, while ZMB sells Russian and Central Asian gas in Europe and the CIS, the commission said. Neither company nor their owners are active in retailing gas or power in Italy.

Enia Energia operates in the northern Italian provinces of Piacenza, Parma, Reggio Emilia and Modena. It has more than 424,000 gas customers, with sales of around 1.8 billion cubic meters/year, and more than 126,000 power customers, with sales of around 1.7 GWh/year.

The Netherlands

Parliament to examine TSO profits

The Dutch Parliament will vote on September 18 on a draft resolution calling for the Dutch Court of Audits to look at whether network companies have made excessive profits.

The NMa, the umbrella organization for the energy regulator, has already looked at this and said the profits were unnaturally high, but its hands are tied because the profits were made legally. The problem was with a regulatory system that did not pitch tariffs at the right level.

The draft Parliamentary resolution is in part a response to an open letter from six organizations calling for an inquiry. Issued earlier this month, the letter was signed by the Dutch consumer organization, Consumentenbond, the users' group, VEMW, the SME federation, MKB, and three associations representing homeowners and those in state-subsidized housing.

The groups fear that the NMa's attempt to adjust the tariff system to prevent these profits will be scuppered by court challenges from the energy companies, which would delay any chance of change until after 2010. The

NMa has recently proposed cuts in distribution tariffs of 6% for gas and 4.8% for power for the period 2008-2010.

However, in a letter to the Dutch parliament on September 10, Energy Minister, Maria van der Hoeven, said she did not think it would be useful to revisit the issue of excess profits, but promised measures to reduce the likelihood of this happening again. She said she will propose changes to the law early next year which will enable the NMa to correct excessive tariff levels more effectively.

Van der Hoeven added she would also launch a full-scale evaluation of the tariff regulation system to see how better or best to resolve the tension between the need for tariffs to act as incentives to efficiency gains and at the same time provide incentives for quality improvements and infrastructure investment.

Spain

Utilities battle for 2009's biggest power supply contract

Spains' major power utilities have been battling to secure the biggest power supply contract for 2009: the contract to supply the national rail network The contract is worth €233.3 million according to the rail infrastructure manager, Adif.

Spain's Iberdrola, Endesa, and Union Fenosa, as well as UK-owned Centrica, all had until September 12 to submit their final bids for the contract to supply power to 16 groupings of supply points that feed power across the extensive Spanish network,

Adif's bid documents included a requirement to take into account day-ahead and futures prices on Spain's electricity market as well es energy costs. "The price of energy and all its components, except grid access costs, must be considered," Adif said.

Adif said it will choose the lowest bidder, helping to boost competition between Spanish power companies.

Last year the €204.4 million contract, covering 83% of demand, was awarded to Centrica, HC Energia and Gas Natural, with Union Fenosa, Endesa and Iberdrola supplying the remaining 17%.

UK

Ofgem investigates EDF Energy over distribution

British energy regulator Ofgem said on September 4 it had launched a probe into EDF Energy's distribution business following concerns about the length of time taken to offer third parties connections to the distribution grid.

Under their license conditions, distribution network operators are obliged to make an offer to third parties for a connection within three months.

Distribution networks are the local wires running from the national transmission system to homes and businesses.

Ofgem did not say in its announcement how long the investigation might take or who had raised the initial complaints.

EDF Energy Networks said that it had a high workload of connections, but was already working on compensation for affected parties.

Its connections business designs and undertakes new and altered electricity supply connections within its three network areas of London, the South East and East of England. The business receives approximately 16,500 telephone enquiries a month and completes approximately 44,000 quotations a year.

"Although the business prides itself on providing tailor-made solutions for our clients there have been, unfortunately, a small number of occasions when connection offers were not made within the required 90-day period (which starts once all the relevant information has been provided by the customer)," the company said.

"We brought this issue to Ofgem's attention ourselves," EDF Energy said. "We have already devised a compensation scheme for those affected and are working with Ofgem to resolve this issue as quickly as possible."

UK unveils €1.14 billion fuel poverty package

The UK government unveiled on September 11 a £910 million (€1.14 billion, $1.6 billion) package of extra spending by the energy companies to help people pay their energy bills. According to a statement by the Department for Environment, Food and Rural Affairs, the home energy saving program will provide assistance to householders to make their homes more energy efficient such as offering half-price insulation for all households and a freeze on this year's bills for the poorest families.

The program will enable households to save over £300 every year, Defra said.

The government will propose legislation to require the extra £910 million commitment from energy companies, which includes the generating companies. This is in addition to the existing industry commitment to spend £2.8 billion over the next three years helping customers save energy, Defra said.

Once the government's own spending programs are added in, in total £6.5 billion will be spent on improving the UK's housing stock.

Defra said the aim is to insulate every home in Britain by 2020.

The package includes:

- An increase in Cold Weather Payments from £8.50 to £25/week for winter 2008-09;
- An extra £74 million of public money pumped into

the government's warm front scheme over the next two years;

- Free cavity wall and loft insulation for pensioners and poor households, which could cut bills by up to £300, according to government estimates;
- 50% off cost off insulation for all households; and
- A freeze on this year's bills for half a million low-income consumers.

The package is in addition to measures already announced in the budget, the statement said.

Prime Minister Gordon Brown said the package would provide "lasting benefits and fairness to all families, cutting bills permanently every year." He said it was a "better way" than imposing a one-off cash rebate for customers from a windfall tax.

Environment minister Hilary Benn said it was important to make energy companies "do their bit" to help those living in fuel poverty. "This plan is about giving help, not only over weeks and months, but over the coming years by enabling householders to make their homes more energy efficient," Benn said.

Around £560 million of the £910 million will go into the Carbon Emissions Reduction Target program, Defra said, which funds subsidized improvements such as loft and cavity wall insulation. Eleven million elderly and low income households qualify for these measures at no cost, with two million homes set to benefit.

The remaining £350 million will go toward a new community energy saving program, whereby local councils, voluntary organizations and energy companies will carry out house-to-house calls to offer help on energy efficiency measures.

25% of households face fuel poverty in 2009

Almost a quarter of the UK's population will be in fuel poverty by the end of next year, research from the National Housing Federation said on October 8. The research shows that 5.7 million households will spend at least 10% of their income on energy bills by the end of 2009, double the figure for 2005.

Annual electricity bills are expected to rise to over £500/year (€624/year, $706/year), while gas bills will increase to about £900, according to the NHF. It said the higher tariffs charged to customers using prepayment meters exacerbate fuel poverty.

The NHF said its findings point to a "full scale energy crisis."

"Energy companies must be regulated so that they can no longer charge prepayment meter customers grotesquely high tariffs, a cap must be put on the prices they charge, and they must be made to use their profits to pay for their social and energy efficiency responsibilities rather than piling these costs on the already crippled consumer," said NHF director of campaigns and neighborhoods Ruth Davison.

Meanwhile, consumer watchdog Energywatch published on September 9 a review of the ways in which fuel poor consumers cope with rocketing energy bills. The 'Cold Comfort' review reveals that pensioner households and those with prepayment meters tend to ration their use of fuel, lone parents go without food in order to keep their children warm and fed, and younger consumers are more likely to go into debt.

ELECTRICITY

EU

European power TSOs publish more market data on Etsovista site

European power transmission system operators have added more data streams to their European transparency website Etsovista with effect from September 1, trade association Etso said September 9.

The new data streams are system vertical load, planned schedule evolutions for interconnectors, day-ahead net transfer capacity at national borders, balancing market and interconnection outage information.

System vertical load data (for one or both of actual load and day-ahead forecast) was available September 9 for 19 EU countries, plus Norway, while Cyprus, Lithuania and Switzerland are listed without any data yet.

The EU countries not listed at all are Bulgaria, Estonia, Luxembourg, Malta, Slovakia and Romania. Germany's data is an aggregate of the six areas controlled by E.ON, VKW, RWE, EnBW, Vattenfall Europe and TIWAG.

Some 20 EU countries, plus Norway and Switzerland, are listed for day-ahead net transfer capacity at national borders, but only nine had up-to-date data in them on September 9.

Balancing market information is so far only set up for seven countries, Austria, France, Italy, Norway, Poland, Spain and the UK, and of those only France had started publishing the data as at September 9.

The interconnection outage information page September 9 showed that a 220-kv line from Riddes in Switzerland to Avise in Italy was offline from September 1-19 for planned maintenance.

Etso set up Etsovista at www.estovista.org in November 2006 in a move to improve the transparency of the European power sector by publishing data from TSOs on cross-border physical flows, cross-border commercial schedules and auction information on a single European website.

There are now about ten types of data supplied by more than 30 TSOs, Etso said, and its aim is to establish Etsovista as a reference for transparency across Europe's wholesale power markets.

"Etso would welcome the opportunity to discuss the further publication of third party data on the [website], in particular from the generation sector and from other key market participants," Etso said in a statement.

Swissgrid, EnBW Transportnetze form coordination gridco

Swissgrid and Germany's EnBW Transportnetze said September 11 they planned to form a coordination company for the central European transmission network with a view to improving supply reliability and network operation.

The new company, Central European System Operation Coordinator AG (CESOC), provides equal shareholdings for the two grid firms. It is based in Laufenburg, Switzerland.

"The formation of this company will further boost the efficiency of the two companies' existing joint network operations on the German-Swiss border. The coordination company CESOC will play a particularly important role in monitoring network safety," EnBW said in a statement.

Swissgrid and EnBW Transportnetze are also planning to bundle their lobbying activities in the wake of the restructuring of the European transmission network.

They anticipate that CESOC will have a positive impact on coordination between transmission network operators active on the European electricity market. "This will only work if European transmission networks are seen from a perspective beyond national borders," the statement said. "The operational reliability of Swissgrid and EnBW Transportnetze's networks is of key importance for the European electricity market due to their geographical location."

There are plans to build up a cross-border network safety center at the coordination company for transmission networks in the central European region of Switzerland and ENBW's home area of Baden Wurttemberg.

This network region will be the sixth biggest in the Union for the Coordination of Transmission of Electricity (UCTE).

The eight integrated groups in Switzerland – Atel, BKW, CKW, EGL, EOS, EWZ, NOK and RE – hold all the share capital of Swissgrid.

EnBW Transportnetze, with its registered office in Stuttgart, operates the transmission network in Baden-Wurttemberg.

That network consists of 3,650 km of 380,000 and 220,000 volt extra-high voltage lines. This extra-high voltage grid is connected to the regional distribution networks by 81 transformers.

EnBW's transmission network is integrated into the national and European network system with more than 36 points of connection.

French, Belgian TSOs plan regional coordination center

Transmission system operators RTE of France and Belgium's Elia signed an agreement on September 5 to set up a joint regional technical coordination center in February 2009, they said in a statement.

The center, which will be based in Brussels, will develop grid forecasts and support real-time monitoring of electricity flows on the grids of the Central Western European region in preparation for market coupling.

"RTE and Elia undertake to work closely with the other TSOs in the Central Western European region to expand the initiative across the region. [German TSO] Vattenfall Europe Transmission has already expressed its interest in joining this initiative," they said.

RTE and Elia said their latest move would strengthen the operational security of their grids, notably in response to the current expansion of market coupling.

In June 2007, the Central Western European region's TSOs, together with the energy ministers, regulators, power exchanges and market players in Germany, Belgium, France, Luxembourg and the Netherlands, signed a Memorandum of Understanding aimed at developing a large regional electricity market.

RTE and Elia said their project's initial phase will supply integrated forecasts related to grid security to the national control centers (afternoon for the next day), seven days a week.

In the second phase, due to begin in July 2009, the center will be operational around the clock, providing continuous monitoring and analysis of grid security.

"The creation of the regional center is in line with the need for increased operational cooperation between TSOs, as clearly expressed by the European Commission in its draft Directive and by electricity market players.

Its main aim is to enable better regional integration of renewable generation and to guarantee safe management of cross-border flows, which are increasing sharply with the development of intraday markets," the two companies said.

"We welcome this major step in the development of regional cooperation and hope that our other colleagues in the region will come on board soon," they added.

The European Commissioner for energy, Andris Piebalgs, issued a statement to say he welcomed the agreement between RTE and Elia. "I see this agreement as a concrete, important example of close cooperation between TSOs," he said. "I am also convinced that today's step will contribute to more energy security in this region and in the EU as a whole." He said he hoped other European TSOs would also now increase cooperation between each other.

Germany

CDU plans to halt German nuclear phase-out if re-elected

Germany's nuclear phase-out law could be revoked if the Christian Democrats are re-elected in next year's general election, the CDU's energy policy spokesman Joachim Pfeiffer told Platts in an interview this week.

"Due to our coalition with the Social Democratic Party I don't see that happening in this legislative period

but – depending on the result of next year's general election – it is quite possible that a retreat from the exit-strategy might come," Pfeiffer said.

The CDU wants to form a coalition with the pro-nuclear Free Democratic Party (FDP) and current polls give such a coalition a slight majority.

The CDU "definitely" wants to extend German nuclear power plants' life spans, Pfeiffer said, pointing out that most countries assume a life span of 60 years rather than Germany's 32.

He said the nuclear phase-out law passed by the previous government has cost Germany an estimated €250 billion ($358 billion).

"Furthermore, we can only achieve our 2020 climate goals and guarantee security of supply with the help of nuclear power," he added.

Pfeiffer also said fossil fuel and nuclear extensions are necessary to prevent future shortfalls in power supply.

"Studies clearly demonstrate that without new hard coal or lignite power plants and the extension of the run-time of our nuclear power plants energy security is clearly endangered," he said.

Pfeiffer said Germany should use all available technologies to guarantee future energy supplies, including green coal, even though that is only a "bridge" technology in his opinion.

"Unfortunately, it is too late to use carbon capture and storage [CCS] in Germany in order to achieve our climate goals," he said, adding that it would be ready at the earliest by 2020.

"But I also see it as a chance to develop this technology and then sell it to other countries," he said.

He said the state should support research and further development of CCS but not provide any subsidies.

Pfeiffer said Germany already had "quite a good" energy mix: "Of course, the amount of renewables needs to grow in coming years," he said. But that doesn't mean we should forget about fossil fuels, such as hard coal or lignite. In the future, we will have to reduce them even further. But as long as renewables are not effective enough to take over their position, they are a valid alternative."

Natural gas is an important part of the mix, he said, even though it means dependency on Russian imports.

"The EU is already dependent on Russia's and also Norway's natural gas. Germany still produces around 20% of its gas consumption, but in 20 years those resources will have run dry," Pfeiffer said.

"That's why we should build as many pipelines as possible and also rely on LNG," he added.

Pfeiffer also said Germany needs to expand its gas storage capacity.

"Germany can store 20 billion cubic meters of gas which roughly matches our country's annual consumption. In my eyes it makes sense to extend our tanks another 50%," he said.

Pfeiffer said biogas is as an interesting alternative to importing natural gas and that by 2020 it should be possible to "replace 6% of our fossil gas consumption with biogas, and even 10% by 2030."

Pfeiffer said he is a "big fan" of carbon trading as it is an important instrument of reducing CO_2 emissions in the long term.

He favors the auction of certificates and its allocation under the roof of the EU – with two exceptions: "First of all, energy-intensive industries like steel and cement producers have to be excluded, because they naturally can't avoid CO_2."

Secondly, Pfeiffer said, the distribution of the money had to be reconsidered. "It's just not right that the earnings of German emissions go to other countries."

Hungary

System operator Mavir to launch power exchange

Hungary's power system operator Mavir is submitting a request for a permit to launch a power exchange, a company official confirmed September 11. The announcement was made earlier September 11 in a presentation by Mavir CEO Gabor Tari in Eger, Hungary, a spokeswoman said.

Mavir was directed by the country's regulator to request the permit to start the exchange, in accordance with Hungary's electricity act. The act specifies that if no market players come forward to start an exchange, the regulator will direct Mavir to do so.

Mavir has been preparing the exchange since May 2007, when it set up a subsidiary called HUPX (Hungarian power exchange).

In June 2008, Mavir selected a consortium of Romanian exchange operator OPCOM and Nord Pool to provide a trading platform for HUPX. Nord Pool developed OPCOM's trading platform, and the decision to pick OPCOM/Nord Pool was widely seen as the first step in a process that may lead to broader cooperation.

The business model for HUPX is now under intensive development, as Mavir is meeting with suppliers to develop its strategy and platform.

Mavir's parent company, MVM, recently spun off its own bulletin board-style trading system, MVM Marketplace, into a larger-scale power auction scheme.

The platform was placed in a subsidiary company, and is now known as PowerForum. It has been expanded to provide a variety of auction and spot sales options; however, there are no standard products and trading data, including pricing information, is available only to participating companies.

"It will be up to the market to decide whether a power exchange is needed," MVM CEO Imre Martha said at a news conference for PowerForum in July.

Shortly after PowerForum was announced, MVM sacked Mavir CEO Andras Vinkovits, an active proponent of HUPX. The Hungarian government decided in August that MVM's stake in Mavir must fall from its current level of 100% to below 50%, and directed the justice ministry

to draw up legal safeguards to ensure that no market player can gain a "level of influence [in Mavir] that would threaten competition."

The Netherlands

TenneT expects self sufficiency for power by end-09

Dutch structural dependence on power imports will come to an end in 2009 according to a report on security of supply out to 2023 published by electricity transmission system operator, TenneT in early September.

According to the report, the Netherlands will not be totally immune to one-off events, such as very cold winters or the impact on cooling water of very hot summers, but will be much less vulnerable than in the past.

Dutch export potential – barring such one-off events – will grow strongly in the period 2008-2015 because of the "enormous increase" planned in large-scale new production capacity.

The Netherlands will have 12.8 GW of surplus capacity by 2015, TenneT predicts.

Even if only 30% of the projected capacity is built, the Netherlands will have 2.7GW of surplus capacity by the middle of the next decade (and will have even more around 2012).

Looking ahead fifteen years to 2023 (in line with the requirements of EU Directive 2005/89), TenneT says it cannot be so certain of trends.

It expects that there will be more than enough domestic supply, but says there are too many uncertainties for it to be able to be categorically sure. These imponderables range from uncertainties about the way demand for power for existing uses will develop to the possibility that demand for electric cars could rise significantly.

TenneT's formal advice to the Dutch government is that there is no need to take additional measures to guarantee security of supply over the next fifteen years.

Delta plans new nuclear plant

Dutch utility Delta said September 10 it plans to build a second nuclear power unit at Borssele. It has submitted to authorities a so-called start notice, which is the first step in the environmental impact assessment process for a new plant.

Delta owns a 50% share in EPZ, the operator of the existing 481 MW nuclear unit at Borssele, the Netherland's only operating nuclear power plant. Essent owns the other half of that plant, which is scheduled to operate until 2033.

Delta said in a statement that the new unit's capacity would be between 1,000 MW and 1,600 MW, but no supplier has yet been selected. The cost of the unit would probably be between €3 billion and €5 billion ($4.2-$7 billion), it said.

The utility's CEO, Peter Boerma, said in an interview with Het Financieele Dagblad published September 10 that the company eventually wanted to build between two and four nuclear units.

Delta said the Borssele site could potentially support a total capacity of 5,000 MW. Delta said the licensing process is estimated to last three and a half years and the construction of the new plant would take about four and a half years.

Boerma said Delta wanted the first new nuclear unit to operate in 2016. The ruling government coalition, which is in place until 2011, is split on the issue. The head of the Christian Democrats, Pieter van Geel, has suggested industry should go ahead and apply for permission to build because new nuclear plants were needed to meet demand, but the Labor party favors other types of generation. The opposition Socialists have said they are revising their traditional opposition to nuclear power.

Poland

Regulator warns of minimum 6% power deficit in 2008-14

Poland is facing a power deficit of more than 6% during 2008-2014 due to a lack of investment in new generation and falling reserve capacity, Mariusz Swora, the head of the country's energy regulator, URE, said on September 4.

Polish power companies plan to invest Zloty 135 billion (€39 billion, $58 billion) in new capacity and network modernization by 2030, but it will only increase the country's net capacity by 6,657 MW, Swora said.

The URE chief said 21,890 MW of new capacity will be built by 2030, 19,000 MW of which will be coal-fired, but 15,133 MW of old capacity will be withdrawn in this period.

"Crucially in the period 2008-2014 there could [be] periodic problems with peak demand as a result of the lack of capacity," Swora said. "In this period the power deficit could reach levels of more than 6%."

Swora said the risk of outages was most acute in periods of planned maintenance and extreme weather conditions.

He said the first effects of the new investment would not be felt until 2015 and until then Poland would have to invest in building links with its neighbors, such as Ukraine and in the longer term, Lithuania.

"Quick investments in international interconnectors by the grid operator will improve the security of the system. I also hope it will improve competition in the market," he said.

In addition, Swora said Poland's continued dependence on coal-fired power production means it will not be able to meet the European Commission's climate change targets.

Switzerland

Government demands industry reduces price hikes

The Swiss government has called on the electricity industry "to reconsider" planned electricity tariff increases of 10-35% in 2009, Oswald Sigg, spokesman from the Federal Governing Council, said September 3.

Sigg said the government is "concerned" that power price hikes of this scale could harm the Swiss.

Outlining plans for a public referendum on the second stage of electricity market opening, Sigg warned industry that Swiss citizens could reject further liberalization in reaction to higher electricity bills.

Electricity customers using more than 100 MWh/yeardemands – some 54% of Swiss consumers – are currently free to choose their electricity supplier. The second stage of liberalization would open the market up completely to all electricity consumers. By law, this second stage is subject to a national referendum by 2014.

Swiss utilities were obliged to report their planned electricity tariff hikes for 2009 to the electricity regulator ElCom by the end of August. The proposed increases ranged form 9% percent (for the canton of Bern) to 35% (for the city of Geneva). Utilities said the price hikes were necessary because of increased costs resulting from transmission system operator Swissgrid's recent introduction of high-voltage transmission fees.

UK

Nuclear Decommissioning Authority to auction land

The UK's Nuclear Decommissioning Authority, the public body in charge of cleaning up the country's former nuclear power sites, said September 10 it will auction some of its land to finance its decommissioning work.

It is thought likely the land will be of interest to companies interested in building new nuclear stations in the UK.

The NDA said it decided to sell the land–located next to sites at Wylfa in Anglesey, Oldbury in Gloucestershire and Bradwell in Essex–after canvassing the market in March.

"In recognition of the current market environment and the potential to gain optimal value, some land adjacent to three sites will be offered for sale via a competitive process," said the NDA in a statement. The proceeds of the sale will be used by the NDA to support decommissioning.

A timetable for the sale has yet to be determined, the NDA said.

With French energy giant EDF the frontrunner to takeover British Energy, the UK's main nuclear generator, the NDA sale could be of interest to other European utilities keen in get involved in the government-backed program for new nuclear reactors.

E.ON gets grid connection for proposed nuke

German-owned E.ON UK has been awarded a transmission agreement by National Grid for a possible nuclear power project at Oldbury, Gloucestershire, in western England, the company said September 11.

The transmission agreement is for connecting a 1,600 MW plant to National Grid's system in 2020.

Although the generation technology has yet to be specified, E.ON confirmed that the agreement would be sufficient to cover the output of a single reactor Areva-designed nuclear power station.

"We are investigating building nuclear power stations at a number of sites in the UK and to develop a shortlist we are eliminating some sites and finding more information about others," E.ON spokesman Jonathan Smith told Platts September 11.

Smith would not comment on whether the company had bought land at Oldbury nuclear power plant at the mouth of the river Severn that is due to be decommissioned in 2009.

EMISSIONS

EU

Europeans support tighter climate targets: EC

A majority of Europeans are concerned about climate change and think the EU's targets to limit greenhouse gas emissions and boost renewable energy are adequate or not stringent enough, the European Commission said in a statement on September 11.

The findings were part of a Eurobarometer survey of public attitudes about climate change commissioned by the European Parliament and the EC.

The survey found that three-quarters of citizens take the problem of climate change very seriously. In total, 62% of respondents consider climate change to be one of the two most serious problems facing the world today. Only poverty scored higher, being placed in the top two by 68%.

"Europeans are highly concerned about climate change and clearly willing to take action against it. A majority of Europeans believes that the EU's targets for reducing emissions of greenhouse gases and increasing the share of renewable energy by 2020 are about right or even too modest," the EC said.

"However, a significant proportion of people feel poorly informed about climate change and ways to help fight it," the EC added.

But even though Europeans widely recognize the seriousness of climate change, 60% believe it is not unstoppable and can be solved, the EC said. "A clear majority of 56% consider that fighting climate change

can have a positive impact on the economy," it said.

The survey found that a substantial majority of Europeans consider the EU's targets on greenhouse gas emissions and renewable energy to be about right or too modest.

The three targets, set by EU leaders last year and to be met by 2020, are: a cut of at least 20% in emissions below 1990 levels; a cut of 30% if other developed countries commit to comparable reductions; and an increase in the share of renewable energy to 20%. Respectively, these targets were judged to be about right or too modest by 68%, 61% and 69% of respondents.

"The message is that a majority of Europeans supports the EU's targets or wants us to do even more. It is essential that the European Parliament and Council approve the Commission's climate and renewable energy proposals from January so Europe will be able to deliver fully on these targets and meet citizens' expectations," European Commissioner for Environment Stavros Dimas said in a statement.

Margot Wallström, vice-president of the EC, said that, "Surveys of this kind are important components in our policy-making. It is striking to see that European citizens take the issue of climate change so seriously and it confirms our belief that continued, coherent EU action in this area is imperative."

More than half of Europeans sampled feel informed about the causes (56%) and the consequences (56%) of climate change, and the ways of fighting it (52%). "However, the proportion of citizens who feel poorly informed about the subject remains significant at more than four in ten. Lack of information is mentioned as an important reason for not taking action to combat climate change," the EC said.

The survey was conducted March to May 2008, and involved more than 30,000 citizens across the EU's 27 Member States in addition to three candidate countries and the Turkish Cypriot Community.

EC calls for tenders for CCS demo

The European Commission September 11 called for tenders to help it set up a network of projects to demonstrate carbon dioxide capture and storage technology in power plants.

The network is part of the commission's proposed measures to speed up the commercial use of CCS in large-scale power generation, seen as a way to help the EU meet its long-term aims to cut CO_2 emissions.

The network is intended to allow pioneering CCS plant developers to share information and experiences as well as the costs of collective actions, for example on gaining public support for CCS in general.

The commission wants to support bringing 10-12 CCS demonstration projects in Europe online by 2015.

It hopes that large-scale CCS plant would then be commercially viable by 2020, assuming the EU's carbon market was working well.

The network is eventually to be part of a wider European industrial initiative on CCS, an industry-led public-private partnership first proposed in its November 2007 strategic energy technology plan.

The SET-plan identified key low carbon technologies and ways to support them in the medium to long term.

The commission also proposed in January 2008 a draft EU law to set harmonized rules on storing CO_2 underground. This was part of a wider climate change package which included a binding target to cut EU emissions by 20% below 1990 levels by 2020.

The deadline for submitting tenders is October 6, 2008, and the commission expects to award the contract early in 2009.

The tender details are available at: http://ec.europa.eu/dgs/energy_transport/tenders/.

Germany

Labor union, ministry sign carbon allowance agreement

Germany's biggest labor union, the IG Metall, and the country's environment ministry have signed an agreement supporting 100% auctioning of carbon certificates for power producers after 2013 and an increase in the allowance of carbon certificates gained out of Europe, the two bodies said September 10 in a joint statement.

The joint "alliance for climate- and job protection" between the ministry and IG Metall also supports a gradual increase of carbon certificate auctioning for industrial producers and the statement said free allocations of certificates should follow "strict benchmarks," following standardized European guidelines.

According to the ministry, the agreement also supports plans to increase the amount of carbon reduction certificates gained from climate protection projects in third party countries – Joint Implementation and Clean Development Mechanism – that can be used after 2013 to 50%.

"This enables companies to obtain cost-effective emissions certificates in third party countries while at the same time living up to the special responsibilities that industrialized nations have in climate protection," the agreement said.

Environment minister Sigmar Gabriel welcomed the union's effort in "facing its responsibility towards climate production and employees in supporting EU-standardized emissions trading."

IG Metall's chairman Berthold Huber said the union supported emissions trading as climate protection in the industrial sector was necessary for sustainability of future industrial policies with "great chances" for Germany's industrial sector.

The joint statement said it supported 100% of carbon auctioning in the power producing sector in order to avoid windfall profits that producing utilities have made by pricing in emissions costs into power bills while receiving the certificates free of charge.

The agreement also said it supported a gradual introduction of emissions auctioning in other industrial sectors under a clear legal framework in order to give the industry planning security and time to adapt.

Concerning German steel production, the agreement demanded a free allocation of emissions certificates although the union and ministry said that free emissions allocations should only be given out until there was an international agreement in place that introduced similar carbon reduction regulation beyond Europe.

The German environment ministry is run by the social democrats (SPD) who have close ties to Germany's unions. IG Metall has 2.33 million members and is Germany's biggest labor union.

Vattenfall Europe starts world's first CCS pilot

German utility Vattenfall Europe started the world's first Carbon Capture and Storage test power plant at Schwarze Pumpe, in the German state of Brandenburg on September 9. Built next to Vattenfall Europe's existing lignite-fired 1,600 MW power plant, the 30 MW pilot plant will undergo an initial three-year testing program, and will then run for at least a further 10 years.

During the first test period, lignite will be the focus of the testing while bituminous coal will be used in a second test period.

The pulverized coal plant will attempt to demonstrate the technology of oxy-combustion, otherwise known as oxy-fuel firing, for CCS.

Although the plant has no turbines–it is not testing power generation – it will emit steam which is injected into the adjacent plant for its own power output. The captured CO_2 will be stored underground once a suitable site has been identified and the necessary permit processes are completed. The plant will provide the technical basis for the construction of much larger 200 to 300 MW demonstration power plant to be constructed by 2015.

Berlin-based Vattenfall Europe is a subsidiary of Swedish state-owned utility major Vattenfall. Vattenfall also plans to build two other demonstration plants, both much larger than the Schwarze Pumpe demonstration plant, in Germany and Denmark by 2015 at the latest.

Norway

North Sea Troll field scanned for CO_2 storage potential

The Norwegian Petroleum Directorate, which overseas oil and gas production, has ordered a 3-D seismic survey of a formation near the Troll oil and gas field in the North Sea to assess whether the rocks are suitable for permanent storage of CO_2.

Oil and gas structures are one of a few alternatives for sequestering CO_2 from power plants.

In a statement, the NPD said it has studied three potential CO_2 storage sites – Troll's Johansen formation and two sites connected to the Utsira formation in the Sleipner area.

"We have great expectations for the Johansen formation as a storage site for carbon dioxide," said Karl Erik Karlsen, project manager at Gassnova, the state-owned enterprise for handling CO_2.

The Johansen formation lies to the south of the Troll area in the North Sea at a depth of around 2,500 meters, below the Troll's oil and gas reservoirs.

StatoilHydro is responsible for the seismic survey, which is being commissioned by Gassnova.

Gassnova is responsible for implementing the government's carbon capture and storage (CCS) projects to harness CO_2 from a gas-fired power plant in Mongstad and an existing plant at Karsto.

Another objective of the survey is to determine where the CO_2 injection wells should be located, the NPD said.

The plan calls for the acquisition activity to get under way sometime in September, with processing and interpretation of the seismic data likely to be completed in early 2009, the NPD said.

"Finding the optimal placement of injection wells is important to ensure that the carbon dioxide can be stored and that it will remain in the reservoir in the future," the NPD's research coordinator Odd Magne Mathiassen said in statement.

Under the government's Mongstad CCS project, the testing facility/pilot plant will have the capacity to capture at least 100,000 mt/year of CO_2 by 2010. Under the second stage, full-scale capturing of approximately 1.5 million mt/year of CO_2 will be in place by the end of 2014.

Switzerland

CO_2 emissions down 290,000 tons in 2007

Switzerland achieved a 290,000 ton reduction in national carbon dioxide emissions in 2007, the federal energy agency BFE reported on September 9 in a survey of Switzerland's 26 cantons' (regions') energy policies. It estimated that when completed, the programs in place could lead to cuts of 10 million tons of CO_2 equivalent.

The programs brought on line additional investment of around CHF2.5 billion (€1.57 billion, $2.2 billion) for technical measures and energy efficiency last year.

The BFE estimated that building-related energy consumption would be 15 -20% higher than today without the cantons' incentive programs.

The BFE and cantons granted a total of CHF50 million in subsidizes in 2007 to incentivize uptake of CO_2 efficient technologies such as solar thermal collectors, biomass and insulation to help curb emissions.

GAS

EU

Turkish, Azeri energy ministers stress support for Nabucco

Turkey and Azerbaijan renewed on September 9 their commitment to the Nabucco gas pipeline project despite fears the crisis in neighboring Georgia could derail it.

"The Nabucco project will be implemented," insisted Turkish Energy Minister Hilmi Guler at a regional oil and gas conference in Baku, at which Azeri Energy Minister Natik Aliyev said: "Azerbaijan is not giving up on the Nabucco project. This is a project that has a future."

Azerbaijan has been identified by the European Commission as one of Nabucco's main sources, but Russia's presence in Georgia – through which Azerbiajan gas is presently pumped to Turkey – has raised doubts over this route. And Aliyev warned that Azerbaijan, whose gas Russia wants for South Stream, "will not be able to ensure the (Nabucco) project through its own resources."

And on September 15, European Commission President Jose Manuel Barroso said that alternative pipeline project proposals did not pose a threat to Nabucco.

Speaking after a meeting with Hungarian Prime Minister Ferenc Gyurcsany in Budapest, Barroso said other pipelines could co-exist.

"Other gas pipeline projects do not necessarily jeopardize the EU Nabucco pipeline. Europe is in need of an increasing number of energy links, which is why the European Union is committed to the Nabucco project," Nabucco said.

Total warns of unbundling impact on storage capacity investment

European Union moves to force unbundling of production assets from infrastructure assets are deterring French major Total from investing in gas storage capacity, Philippe Sauquet, senior vice president for trading and marketing, said at a briefing in London September 11.

The company already operates gas transport pipelines and storage facilities in southwest France, where it is the dominant infrastructure operator. The rest of France is covered by GDF Suez.

But Sauquet said it was not clear how pressure for full ownership unbundling would develop and whether producers such as Total would be forced to divest their pipeline and storage assets. This was a "deterrent" to the company investing in new storage capacity, he said.

There is widespread support for more gas storage in Europe, particularly for countries like the UK, as it imports ever increasing volumes of gas.

Lithuania

US agency to fund LNG import terminal study

The US Trade and Development Agency has agreed to provide more than $800,000 in financial assistance to Lithuania for a feasibility study into an LNG import terminal in the Baltic country, a spokesman with Lithuania's Ministry of Economy said on September 15.

The study, targeted for completion by the first half of 2010, will determine the best of three potential sites for developing an LNG terminal, the spokesman said. He did not give a date for when the terminal may be completed, or prospective areas for its siting.

Lithuania relies primarily on Russia to supply its natural gas and typically imports about 3 billion cubic meters/year, the spokesman said.

Depending on the size of the prospective LNG terminal, Lithuania's dependence on Russian gas could be reduced by about a third, he added.

USTDA said its director Larry Walther planned to travel to Lithuania and Romania in early September to award grants to each country to help them diversify their energy supplies through LNG imports.

USTDA plans to provide $1 million to Romania's Romgaz to fund an assessment of the country's gas market and the feasibility of building an LNG import terminal on the Black Sea coast.

Romania has determined a preliminary site at the port of Constanta, and the USTDA-funded study will help determine the size of a prospective terminal, as well as making recommendations for implementation and financing, the agency said.

"Diversification of energy supplies provides stability in markets that is essential for growth and development," Walther said in a statement. "This visit presents an opportunity to demonstrate our commitment to working with Lithuania and Romania as they diversify their sources of energy."

Norway

Exploration spending expected to hit new record in 2009

Investment in oil and gas exploration offshore Norway is expected to hit a new record of NOK31.4 billion (€3.84 billion, $5.4 billion) in 2009, up from an estimated NOK25.1 billion in 2008, Statistics Norway reported September 11.

Next year's expected spending is the highest since the state statistics agency started collecting estimates in 1985, it said.

Exploration spending has risen rapidly from NOK4.01 billion in 2004 and NOK7.5 billion in 2005, according to the agency. Total investment in the oil and gas sector next year is expected to amount to NOK132.8 billion,

compared with the most recent estimate for this year of NOK128.2 billion.

The bulk of next year's investment, some NOK95.6 billion, is expected to be spent on field development work and fields already on stream.

Investment offshore Norway has been on an upwards trend in recent years, even though the country's oil production has been declining since 2000. Norway's gas production is still rising.

UK

Gas prices likely to stay stable or go higher: Ofgem

UK gas prices are likely to stay stable or pick up higher, gas industry experts told attendees at energy regulator Ofgem's seminar in London September 10. The crowd of industry delegates heard that all the price risk was on the upside, and that even a mild winter would not likely produce significantly lower prices in the gas market.

On the other hand, a very cold winter or a series of coincidental problems, such as offshore outages, could see prices spike sharply higher.

In recent years, as the UK has become more reliant on gas imports from mainland Europe and Norway, the UK's gas prices have trended towards the oil-indexed continental European gas price. That means the price of oil is crucial to future gas prices.

Although crude oil futures dipped below $100/barrel in the second week of September, Mark Owen-Lloyd, the head of UK Power Trading and Emissions Trading at E.ON Energy Trading, said he didn't see much room for further falls. His prediction was for Brent crude at $115/b at the end of the near winter.

Recent lower oil prices – having dropped from more than $140/b in July – were bearish for gas in the short-term, he said. "But I don't believe we're at the beginning of a return to $65 oil," he said.

The original factors that had pushed oil over $100 were still there: including increasing cost of production and demand growth in China and India. He said if oil fell to $85 he could see players such as airlines buying it "aggressively" to hedge their position. "I think the price path for energy is upwards," he said, "the risks lie on the upside."

Given the position on oil, it was unlikely, Owen-Lloyd said, that gas would fall. He said he didn't see any sharp decline in UK gas as likely.

The opening of new LNG terminals this winter was unlikely to depress prices, Owen-Lloyd said, with the UK not attracting many cargoes recently. The UK's Grain LNG terminal has only received two cargoes since the end of January. The head of Centrica's gas portfolio, Cassim Mangerah, agreed that little LNG was likely to reach the UK. It would come if the UK outbid Spain and Asia, he said, but countries like Japan were prepared to bid aggressively for supplies to ensure they got delivery, Mangerah said.

Offshore oil, gas activity up 44% in Jan-Aug: Deloitte

UK offshore oil and gas exploration activity shot up 44% in the January to August 2008 period compared with the previous year, according to a report from consultancy Deloitte & Touche published on September 10.

The North West Europe Review, published by Deloitte's Petroleum Services Group, said 91 exploration and appraisal wells were spudded in the UK between January and August. Of those, 48% were exploration and 52% appraisal related.

The majority (30%) of wells were located in the central North Sea area, the report said, with a further 25% in the northern North Sea, 20% in the southern North Sea, 19% in the Moray Firth and 6% in the West of Shetlands areas.

Derek Henderson, senior partner for Deloitte in Aberdeen, said the rise was in part due to higher oil prices seen earlier in the summer.

Dated Brent reached as high as $142/b in early July, which in turn fueled higher wholesale gas prices in the UK. "We expect to see this trend continue, uninterrupted by the recent decrease in oil price, since demand remains high," Henderson added.

RENEWABLES

EU

Carbon prices still too low to spur renewables: analysts

Prices for carbon allowances have yet to reach the point where they can contribute significantly to renewable energy development, and other factors will play a greater role in the European Union's drive toward renewables, several industry players told participants at the 10th Renewable Energy Finance Forum in London on September 15.

Asked what price for carbon allowances is needed to push EU and worldwide energy markets toward renewables, Michael Lewis of E.ON Climate and Renewables cited research suggesting the price of carbon could reach $30/mt at today's prices by 2020.

"But the key to renewables' targets is not necessarily carbon prices," he said. In the EU, he said, goals for renewable power production under a proposed European Commission directive would be met by national feed-in tariffs and trading in guarantees of origin, Lewis said, rather than the EU Emissions Trading Scheme.

BP Alternative Energy COO Katrina cited work her company is doing in Abu Dhabi on a 420 MW power plant with carbon capture and storage. Carbon allowances amounting to $30/mt "will not generate a return for that project," she said.

Today a carbon price of about €90 ($127) is needed to make CCS competitive, she said, and the cost of CCS

technology must drop before carbon prices will have an impact.

Jonanthan Johns of Ernst & Young noted that carbon allowance markets and renewable energy markets operate under different frameworks: Carbon prices vary over time, he said, while renewable energy support schemes typically are set for 10-15 years.

Finland

TSO to connect 2,000 MW of wind power in next 10 years

Fingrid is making preparations to connect 2,000 MW of wind power to the Finnish grid in the next 10 years, it said September 9. Fingrid is making capital investments totaling €1.6 billion in Finland's transmission grid and reserve power in the next 10 years, which it says will enable the connection of one large nuclear power unit and 2,000 MW of wind power capacity by 2020.

According to Fingrid President & CEO Jukka Ruusunen, the wind power units can be connected to the transmission grid using "basically the same logic" as for other types of power plants.

"The power system must always withstand the tripping of the largest power plant from electricity production. On the other hand, wind power production increases the need for regulating power," Ruusunen said.

The country's grid is influenced by factors such as the Finnish climate and energy strategy, new large nuclear power units, increased use of renewable energy sources, European electricity markets and expanding the market area to Western Europe, the Baltic countries and Russia.

There are plans for several wind power projects in Finland. Fingrid has examined the impact of increased wind power production from three angles: system security, transmission capacity and the power market.

From the security aspect, wind variation within one hour causes a power change which is estimated to represent a quarter of the nominal power of wind power. Hence, 2,000 MW of wind power requires preparations for a power change of 500 MW. "This can be managed through existing reserve capacity. Large-scale changes only take place rarely, and the change in wind power can be compared to other types of production disturbances. However, more than 2,000 MW of wind power would call for significant additional investments in reserve power and regulating power," Ruusunen said.

A sudden and extensive stoppage of wind power production may increase the need for reserves, but Fingrid has already made decisions to raise the reserve power capacity by 100-400 MW.

However, increased wind power production will inevitably raise the need for regulating power.

"You cannot store electricity. Since electricity consumption varies constantly, regulating power is also needed. Only condensing power plants and hydropower enable adjustable electricity production. One new means could be increasingly active flexibility applied to electricity consumption during consumption peaks. Demand flexibility is currently being examined together with consumers," Ruusunen said.

On transmission capacity, Fingrid said that wind power production and its variation add to the need for electricity transmission in the Finnish grid and on cross-border transmission connections.

This translates into a need to construct new transmission lines.

In Finland, the grid in Ostrobothnia in Western Finland needs to be upgraded to the 400 kilovolt voltage level.

Moreover, a third alternating current line is needed between Finland and Sweden to equalize production variations and to utilize the regulating capacity and reserve capacity within the entire market area.

Regarding the electricity market, Fingrid considers that the proper functioning of the market requires equal treatment of electricity production from different generation types. Producers of wind power must pay their own connection costs and take care of the sales of their electricity and of balancing their production balance, it said.

Despite the extensive capital expenditure program, Fingrid intends to retain its internationally competitive transmission tariffs. The capital investments will inevitably elevate the grid transmission prices of electricity somewhat. At the beginning of this year, Fingrid raised its tariffs by 4.5%. "However, Fingrid accounts for a very small portion of the consumer price of electricity, which is why the rise in the transmission prices will not be reflected very clearly in the consumer's electricity bill," Ruusunen said.

In addition to the capital investments, pressures to raise the tariffs are caused by a general increase in the cost level and higher price of electricity. "Purchases of loss energy constitute our biggest individual expense item. We consume as much electricity as a large Finnish town," Fingrid said.

Spain

Solar operators slam new law, but new plants advance

Solar energy companies in Spain have once again slammed the government's new legislation to cut support to the industry starting from the end of this month. They have gone as fas as to say they have been "cheated" by the industry ministry and that the new law will seriously harm the sector.

National solar photovoltaic industry lobby ASIF has already warned that the reform will "paralyze" the industry in 2009, and Juan Laso, the chairman of the PV industry employers' association AEF, met with the secretary general for energy Pedro Marin on September 4 to express the industry's shock at an "unpleasant and unacceptable surprise".

Laso has since protested that the industry ministry "appears set on doing everything but support us".

"We can't see any concrete plans from the ministry on what they really want from this sector, it seems they're only really interested in cutting costs, not developing renewables, which is what they should really be doing to cut Spain's dependence on imported energy."

But a spokesman for the industry ministry told Platts that the aim was cut the influx of imported solar technology and that to "ensure stability in the solar industry there had to be a limit" and measures to lower costs. The new law which is due to be approved at the end of the month puts a ceiling of 300 MW on the amount of new capacity eligible for support in 2009.

The ministry had proposed an additional 200 MW but AEF said this provided "no real solution" and the industry group said it would challenge the ministry in the courts.

The effects of the ministry's decision are already being felt. One major solar panel manufacturer, Silikien said on September 12 that it would be building its future manufacturing plants outside Spain. "That means €500 million of lost investment thanks to the instability brought in by this new framework," warned Silikien chairman Carlos Navarro, adding that he expected other companies in the sector would follow in their footsteps.

Business leaders like Navarro, who is currently chairman of the AEF, are worried global growth of 45%/year in the PV market could stall as the Spanish market its primary motor. In the last few weeks the biggest PV power plant ever built in the southern region of Andalucia came on line on September 10, with projected annual out put of 24 GWh.

And the following day plans for the largest PV plant yet to be built anywhere in Spain were announced by Suntech, for a 100 MW plant in the western region of Extremadura.

Portugal's EDP to invest €3 billion in Spain

Hidrocantabrico, the Spanish subsidiary of Portugal's EDP Energias plans to invest €3 billion in renewable energy in Spain up to 2012, Hidrocantrico president Manuel Menedez told investors in early September.

But this, he said, "depends on whether wind farm projects get government approval, especially from the regional government in Andalucia". The company plans to invest €500 million in wind projects in the region, which is in the far south of the country.

The Portuguese-owned company acknowledged that the Spanish government was taking special care with wind farms in an aim to deter speculative developments that are later sold on at higher prices.

UK

Govt approves 650 MW of new offshore wind capacity

The UK government said on September 4 it had granted consent to two offshore wind projects comprising 650 MW of new capacity off the coast of Cumbria, north west England.

Developer Morecambe Wind Ltd's bid to build a 139 turbine, 500 MW wind farm near Walney Island off the coast of Barrow-in-Furness has been given the go-ahead while an updated application for Ormonde Energy Ltd to build a 150 MW pioneering wind and gas project, comprising up to 30 turbines and also sited near to Walney Island, has also been approved.

Morecambe Wind's West of Duddon Sands project is one of the three largest wind farms approved to date, the government said in a statement.

The Ormonde project, scheduled to come online in 2011, will be the world's first offshore gas-wind hybrid energy project. When the wind isn't sufficient, 90 MW of power will still come via conventional gas sources pumped from two fields in nearby Morecambe Bay.

The UK government had previously given Ormonde approval to build a smaller, 108 MW wind farm.

Energy secretary John Hutton said the wind farms demonstrate the government's commitment to offshore wind.

"It won't be long before enough offshore wind power is plugged in to the grid to make us world leaders, a fantastic achievement in less than a decade," Hutton said.

As conditions of the projects' approval, both developers will have to put in place measures to alert shipping to the presence of the wind farms, as well as contribute towards the cost of establishing and running a vessel traffic service that will provide information to nearby shipping.

Morecambe Wind Ltd is a consortium made up of Scottish Power, Eurus Energy and DONG Energy. Ormonde Energy Ltd is owned by UK independent Eclipse Energy Co.

Electricity directive

	Eligible customers & Declared market opening (%)	Ownership unbundling of TSO	Production: type of system	Transmission: type of system	Distribution: type of system
Austria	10/01: All (100%)	No	Authorization	Reg TPA	Reg TPA
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.					
Belgium	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%)	No	Authorization	Reg TPA	Reg TPA
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.					
Bulgaria	07/04: 40GWh (22%) 07/07: All (100%)	No	Authorization	Reg TPA	Reg TPA
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.					
Czech Rep	01/02: >40 GWh 01/03: >9 GWh 01/05: All non residential customers 01/06: All (100%)	Yes	Authorization required for plants >30 MW	Reg TPA	Reg TPA
Bilateral and power exchange generation market. 66.7% state-owned CEZ dominates the Czech Republic's power market.					
Denmark	01/03: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
Feed-in tarriffs have developed wind energy industry.					
Estonia	2005: 40GWh (12%) 2009: 35% 2013: All (100%)	No	Authorization	Reg TPA	Reg TPA
State utility Eesti Energia dominates the Estonian power market. TSO and DSO are legally separated.					
Finland	All (100%)	Yes	Authorization for environmental, not market, purposes	Reg TPA	Reg TPA
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.					
France	02/03: 7GWh (34.5%) 07/04: All non-residential customers (>66%) 07/07: All (100%)	No	Authorization	Reg TPA	Reg TPA
EDF holds auctions to sell capacity (virtual power plants) but EDF still enjoys near total monopoly. Grid operator RTE is legally separated from EDF.					
Germany	All (100%)	No	Authorization	Reg TPA	Reg TPA
Reg TPA provided for by the Energy Act of 13/07/05 and enforced since energy regulator (Bundesnetzagentur) was established in July 2005.					
Greece	07/04: All non-residential customers (70%) 01/07: All	No	Authorization	Reg TPA	Reg TPA
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.					
Hungary	07/04: All non-residential customers 07/07: All (100%)	No	Authorization	Reg TPA	Reg TPA
State-owned MVM plays a dominant role in the wholesale market due to its long term PPAs. There are three significant players in the Hungarian retail market. The Hungarian Parliament has passed the new Act on Electricity.					
Ireland	2002: >1GWh 02/04: >0.1GWh/yr (56%) 02/05: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
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.					
Italy	2001: 20GWh/yr 2002: 9GWh/yr 05/03: 0.1GWh/yr 07/04: All non residential (80%)	Yes	Authorization	Reg TPA	Reg TPA
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.					

Electricity directive (continued)

	Eligible customers & Declared market opening (%)	Ownership unbundling of TSO	Production: type of system	Transmission: type of system	Distribution: type of system
Latvia	07/04: All non residential customers (76%) 07/07: All (100%)	No	Authorization	Reg TPA	Reg TPA
No customers have exercised their rights to switch energy supplier yet due to the small size of the generation market (5.6TWh in 2004) and the vertically integrated state monopoly Latvenergo holding 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.					
Lithuania	07/04: All non residential customers 07/07: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
Generation capacity significantly exceeds demand. No direct transmission lines with Central and Western Europe. There is one dominant generator; one TSO; two significant DSO's/Public Suppliers and 18 licensed independent suppliers in the Lithuanian electricity market.					
Luxembourg	07/04: All non residential customers 07/07: All (100%)	No	Authorization	Reg TPA	Reg TPA
Netherlands	2000: >2MW 2002:>3*80A 07/04: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
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).					
Poland	07/04: All non residential customers 07/07: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
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.					
Portugal	01/04: All businesses 07/04: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
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.					
Romania	07/07: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
Bilateral and power exchange generation market design. There are eight significant competitors in the power generation sector. Two distribution companies. Five distribution companies had been privatized by 08/07. By 05/07 some 49% of consumers had changed their supplier. In 04/07 the electricity and gas regulators merged to become the independent Romanian Energy Regulatory Authority (ANRE).					
Slovakia	01/04: 20GWh (40%) 01/05: All non-residential customers (79%) 07/07: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
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.					
Slovenia	07/04: All non-residential customers 2005: 77% 07/07: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
Bilateral and power exchange generation market design. There are two main wholesale competitors and 12 suppliers in the Slovenian power sector.					
Spain	2003: All (100%)	Yes	Authorization	Reg TPA	Reg TPA
Regulator considered to be toothless by new entrants. New entrants also frustrated by lack of electricity export capacity with France. Customers were able to choose to stay on regulated tariffs until July 2008. Many residential and small business users could still remain on legacy contracts into 2009.					
Sweden	07/07: All (100%)	Yes	Authorization for environmental, not market, purposes.	Reg TPA	Reg TPA
Regulator sets guidelines for access prices. Consumers file complaints to the regulator.					
Turkey	01/07: 3 GWh (38.6%) 01/08: 1.2 GWh (41%)	No	Authorization	Reg TPA	Reg TPA
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.					
UK	All (100%)	Yes	Authorization	Reg TPA	Reg TPA
British electricity trading arrangements (Betta) extended 'NETA' to Scotland on April 1, 2005.					

Source: EU Energy

Gas directive

	Eligible customers & Declared market opening (%)	Ownership unbundling of TSO	Grid/Storage access	Publication of access conditions	Regulator
Austria	2001: 49% 10/02: All (100%)	No	Reg TPA (Grid) Neg TPA (Storage)	Yes	E-Control (gas and electrcity)
OMV remains the principal importer of gas and a major player in supply through its jv with Energie Allianz, Econgas.					
Belgium	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%)	No	Reg TPA	Code of good conduct and principal conditions	CREG (gas and electricity)
Regulators both regional and national. Legal unbundling for TSO and DSO.					
Bulgaria	20 million cu m (83%) 07/07: All (100%)	No	Reg TPA	Accounts published. Tariffs approved ex-ante	Energy and wa -ter regulatory Commission
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.					
Czech Rep	2005: >15 million cu m (28%) 2007: All (100%)	No	Reg TPA (Grid) Neg TPA (Storage)	Yes	ERO
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.					
Denmark	2000: 30% 2004: All (100%)	Yes	Reg TPA (Grid) Neg TPA (Storage)	Yes	DERA
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.					
Estonia	200,000 cu m (95%) 01/07: All (100%)	No	Reg TPA	No publication of accounts Tariffs approved ex-ante	Estonian Competition Authority
Legal unbundling for transmission system operator and distribution system operator. Eesti Gas is the dominant player in the Estonian gas market.					
Finland	2000 >5 million cu m (90%)	No	Reg TPA	Yes	EMA
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.					
France	2000 >22 million cu m 2001: 20% 2003 >7.5 million cu m 2004: All non residential customers 7/07: All (100%)	No	Reg TPA (Grid) Neg TPA (Storage)	Publication of standard conditions and tariffs	CRE (gas and electricity)
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.					
Germany	1998: All (100%)	No	Reg TPA (Grid) Neg TPA (Storage)	Yes	Bundesnetz-agentur
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.					
Greece	07/05: Generators & Cogenerators >25 million cu m Derogation awarded until 2009 (0%)	No	Reg TPA	Yes	RAE (gas and electricity)
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.					
Hungary	01/04: all non-residential (67%) 07/07: All (100%)	No	Reg TPA, Neg TPA (for free market)	Yes: Tariffs, terms & conditions	HEO (district heating, gas & electricity)
Legal unbundling for TSOs and DSOs with >100,000 customers Smaller DSOs still unbundled by account. E.ON is the dominant player in Hungary's gas market. Effective market opening reached 25% in 2007. Act XLII of 2003 on Natural Gas Supply effective until 30/6/09, when it will be replaced by Act XL of 2008, adopted by the Hungarian Parliament 9/6/08.					
Ireland	04/02>2 million cu m (80%) 20/07/04: All non residential (85%) 07/07: All (100%)	No	Reg TPA for transmission & distribution	Yes	CER (gas and electricity)
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.					

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
Portugal has a derogation until 2010 to implement the EU's Second gas Directive. ERSE regulates the gas and electricity sectors.					
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	Publication of maximum tariffs	CNE (gas, oil & electricity)
Security of supply rules to keep dependency on one gas source to below 60%. Gas Natural has cap on proportion of imports. Six LNG terminals in operation, more under construction. 35 days of firm consumption as strategic reserves. Customers can choose to stay on regulated tariffs until end 2007, after that they will have 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%) 01/07: Greater Belfast Area	Yes	Reg TPA	Published tariffs	Ofgem (gas & electricity)
Ongoing reform of gas grid entry and exit arrangements. Storage capacity auctions introduced. Interconnector with Belgium introduced hedging with mainland European market. Upstream there is TPA with voluntary code (Petroleum Act 1998). The Utility Regulator is responsible for energy in Northern Ireland. Firmus energy Ltd. has exclusivity to supply ten towns outside the Greater Belfast area. Exclusivity is for eight years for consumers of <732,500 kWh/year and five years for consumers of >732,500/year.					

Source: EU Energy

BRUSSELS WATCH

French presidency of the EU
Draft agenda (selected dates)
July 1 – December 31, 2008

September
21-23 Informal agricultural ministerial meeting (Annecy)
25-26 Competitiveness Council
29-30 Agriculture and Fisheries Council

October
6 Eurogroup (Luxembourg)
7 Ecofin Council (Luxembourg)
9 Transport Council (Luxembourg)
10 Energy Council (Luxembourg)
15-16 European Council
20-21 Environment Council (Luxembourg)
27-28 Agriculture and Fisheries Council (Luxembourg)

November
3 Eurogroup
4 Ecofin Council
6 Competitiveness Council (poss)
14 EU-Russia Summit (Nice)
17-18 Agriculture and Fisheries Council
21 Econfin Budget Council
27 Telecommunications Council
28 Agricultural and Fisheries Council (poss)

December
1 Eurogroup
1-2 Competitiveness Council
2 Ecofin Council
4-5 Environment Council
6 Energy Council dinner (poss)
8 Energy Council
9 Transport Council
11-12 European Council
17 French president addresses EP (Strasbourg)
17-19 Agriculture and Fisheries Council

European Parliament meetings:

Plenary sessions
September 22-25 (Strasbourg)
October 8-9 (Brussels)
October 20-23 (Strasbourg)
November 17-20 (Strasbourg)
December 3-4 (Brussels)
December 15-18 (Strasbourg)

Committee on Industry, Research and Energy
October 7 (Brussels)
October 16 (Brussels)
November 3-5 (Brussels)
November 13 (Brussels)
December 2 (Brussels)
December 11 (Brussels)

Committee on the Environment, Public Health and Food Safety
October 6-7 (Brussels)
October 13 (Brussels)
November 4-6 (Brussels)
December 1-2 (Brussels)
December 8 (Brussels)

Temporary Committee on Climate Change
October 8 (Brussels)
October 13 (Brussels)
November 4 (Brussels)
December 2 (Brussels)

EVENTS

Energy Solutions Expo
October 8-9, 2008
London
http://www.energy-expo.info/

Energy from Gas
October 14-16, 2008
Szczyrk, Poland
www.itc.polsl.pl

Biofuels Expo & Conference
October 15-16, 2008
Nottinghamshire
www.biofuels-expo.co.uk.

Emart Energy
29-30 October, 2008
Geneva, Switzerland
www.emart-energy.com

Wood Pellets Industry Forum
October 29-31, 2008
Stuttgart, Germany
www.pelletsforum.de

Next generation nuclear new build
November 17-18, 2008
Sofia, Bulgaria
www.cityandfinancial.com/nuc3.

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Developing European Gas Supply Infrastructure



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Renaissance Wien Hotel
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- **Evaluate** existing and future LNG terminals and the implication for infrastructure - complementary or competition?
- **Identify** whetherthere will be enough investment available to secure new supplies to Europe
- **Learn** about the institutional investors requirements on the financing of new infrastructure
- **Examine** whether unbundling works on practice and what are alternative models to increase competition?
- **Discover** operators expectations and perspectives on stimulating infrastructure investment
- **Receive** latest operational updates on infrastructure projects in development and understand project challenges

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