Implementing energy policies
A view from the field
1 / Reinforcing the Credibility of the First Steps Towards «Energy Union»

*Measures concerning immediate action*
Diagnostic

- The European energy policies aimed at liberalizing the energy market have led to a « patchwork market » more than a « single market »

- As a consequence of these policies, the European energy sector is now facing a number of challenges:
  - Lack of clear, foreseeable energy policy framework based on stable and predictable regulation
  - Risks related to security of supply, in particular
  - Other regulation (e.g. financial regulation) should not limit energy market functioning
  - Increase in CO2 emissions
  - High level of price
  - Lack of R&D programs
The Magritte Initiative

Acknowledging the previous diagnostic, the European energy sector has gathered and launched the Magritte Group in order to:

- **Inform** the political leaders of Europe of the situation of the sector
- Issue **common recommendations** on future orientations of EU energy policy
Energy and Climate Framework Towards 2030: a necessary step

- GDF SUEZ **welcomes the agreement** reached by Heads of States in October 2014, especially the following achievements:
  - Binding Target of **at least 40% reductions** in greenhouse gases
  - Strengthening of the annual reduction factor from **1.74% to 2.2%** to reduce the ETS cap as of 2021
  - Endorsement of the **ETS Market Stability Reserve** proposal

- However, it is now essential to **keep the momentum** on this topic
  - In the run-up to the COP 21 in Paris, the EU has a **strong position** ahead of international discussions
  - The 2030 framework reinstates policy back at the **European level**
  - This package provides **support for investors**, necessary to improve Europe’s energy infrastructure

- GDF SUEZ fully supports the new direction given by the European Commission:
  - **Juncker** investment plan
  - **Energy Union**
2 / The Energy Union
Governance of the Energy Union for a « better regulation » of the energy sector

<table>
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<tr>
<th>Consult with the Industry</th>
<th>Governance Chapter that commits to formally consult and work with the relevant experienced and knowledgeable stakeholders (i.e. industry)</th>
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<td>Provide long-term visibility</td>
<td>The Commission should pay due attention to the implementation of the existing legislation and encourage a higher degree of convergence of rules at EU level</td>
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<td>Take advantage of the new Commission design</td>
<td>The newly designed European Commission design should develop holistic legislation, avoiding too heavy administrative burden</td>
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<td>« More Europe »</td>
<td>Ensure a structured coordination mechanism for better coordination and cooperation in terms of market design, regulatory principles, taxes and energy mix</td>
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Main Features of the Energy Union: 5 Pillars

1. Security, Solidarity and Trust
2. Completing the Internal Energy Market
3. Decarbonising the EU Energy Mix
4. Moderating EU Energy Demand
5. Research & Innovation
Pillar 1: Security, solidarity and trust

- A diversified energy portfolio across Member States would provide security of supply and solidarity.

- Security of supply is a priority. European and national authorities should work together with the energy sector to put in place the best framework enabling the continuity of supply.

- The EU has to work together with the industry to design a new market model based on the introduction of a capacity mechanism to ensure continuity of electricity supply.

- Gas is of utmost importance in a diversified low-carbon European energy mix. Security of gas supply should not be jeopardized by the introduction of a common/centralized gas purchasing.
Pillar 2: Completing the internal energy market

- Converging support schemes for renewable energy sources
- Capacity mechanisms coordination and compatibility
- Convergence of regulation for retail activities
- Adequate environment for infrastructure investments
Pillar 3: Decarbonizing the EU energy mix

**Strengthening the EU ETS**
- Implementation of a Market Stability reserve (MSR)
- Higher removal %, backloaded allowances put into the reserve immediately, adaptation of the threshold limits

**Revision of the ETS Directive**
- Take into account the 40% objective for 2030
- Maintain the carbon leakage provisions as long as needed

**Building the momentum**
- Take advantage of a strengthened EU ETS to negotiate with greater credibility and leadership during COP 21
Pillar 4: Moderating EU energy demand

- **CO2 emissions reduction** is the key target of EU energy policy: 40% by 2030

- In this regard, the **EU ETS should be the main instrument** and should not be overlapped by other policy measures

- In order to reach the 30% energy efficiency target by 2030, **Energy services development** should be encouraged
  - **Information** to the customer
  - Professional **qualification**

- GDF SUEZ as well as other European utilities offer high-end solutions to manage energy demand: smart grids, smart meters, smart cities, etc.
Pillar 5: Research and Innovation

- Industry Partnership
- European funds
- Joint action of national research policies

Innovation process focusing on specific issues: storage, clean vehicles, alternative processes to fracking, etc.

H2020 Framework
Conclusions and Q&A