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THE EUROPEAN HOUSE - AMBROSETTI AND ENEL PRESENT STUDY PROMOTING A MORE UNITED, RENEWABLE AND DIGITAL EUROPEAN ENERGY MARKET

The study "Building the European Energy Union. Proposals and policy recommendations to power European competitiveness" was presented today in Cernobbio, Italy. The study highlights three challenges for the European energy sector and its decarbonisation

Cernobbio, September 5th, 2015 - The European energy sector is facing three main challenges: the implementation of a truly integrated European governance; the creation of a "future-proof" market structure; and the development of digital technologies. These elements will be crucial in lending greater depth to the vision of operators and in shifting the focus of the industry from the short to the long term. This is aimed at outlining viable investment plans that are consistent with the long-term energy and climate goals that the European Union has set itself, as well as with the pursuit of effective integration of renewable energy in what should be, finally, a true European market.

These are the conclusions of the study "Building the European Energy Union. Proposals and policy recommendations to power European competitiveness" that was conducted by The European House - Ambrosetti (TEH-A) in collaboration with Enel and presented today in Cernobbio at the Forum "Scenarios for competitive strategies today and tomorrow".

*"Enel has always been at the forefront in supporting the European roadmap on energy and climate", said Enel Chief Executive Officer and General Manager **Francesco Starace**, "especially the full integration of energy markets in the Union as an essential tool for achieving European objectives efficiently and sustainably. The current challenges we are facing include the creation of a stable and consistent regulatory environment that provides certainty to investors with a view to developing an integrated market with long-term price signals. In addition, there is a need to improve interconnections between countries, developing smart grids to the greatest possible extent and investing in network digitisation, in which Italy is the world's leading example".*

The document represents a real contribution to the ongoing discussion being conducted at the institutional level and within the business community on the proposals launched by the European Commission last February as part of the Energy Union Strategy: a comprehensive set of ambitious initiatives aimed at making the system more secure, sustainable and competitive.

The study points out that the past efforts of the European Commission and the Member States have led to a gradual reduction in the proportion of generation from conventional resources in favour of renewables and resources with low CO₂ emissions (since 1990, emissions of greenhouse gases have fallen by 18%, while the share of energy from renewable resources has reached 15%). The EU is thus on track to achieve its energy and climate targets.

The study also highlights a number of unresolved critical issues, such as energy dependence (the EU remains highly dependent on imports of oil and natural gas and on countries with a high level of



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geopolitical risk); the functioning of the internal energy market, which hinders sound investment decisions due to the lack of long-term price signals; retail prices that are not proportionate to costs, creating market distortions between Member States; the need to improve access to finance for energy efficiency initiatives; in the field of environmental protection, the lack of an adequate competitive renewable energy framework and a clear European framework on incentives; and finally, in the area of research and innovation, the need to fully exploit the potential development of key enabling technologies.

“The Energy Union is a crucial step in the process of European integration, an objective that is still being held up by resistance and delays,” said **Paolo Borzatta**, Senior Partner at The European House – Ambrosetti. *“In order to overcome these issues, an approach that brings together energy policy, technology and economics, and looks at them within a broader framework of geopolitical and geo-economic competition is needed. It is only in this way that it will be possible to make the European Union a global power that is innovative, competitive and sustainable.”*

The TEH-A/Enel study seeks to:

- Harmonise European rules with a top-down approach, with a solid European legislative and institutional foundation;
- Accelerate the integration of European energy markets, including through regional cooperation mechanisms;
- Rationalise the process of completing European interconnectors on the basis of cost-benefit analyses;
- Establish a market structure that is consistent with the EU's decarbonisation objectives, including through the adoption of long-term contracts;
- Establish transparent criteria commensurate with costs for the formation of retail prices;
- Promote new legislation for the digitalisation of the European energy sector, placing smart grids at the centre of the process;
- Facilitate access to financing for energy efficiency projects;
- Make Europe a global pioneer in the application, dissemination and export of innovative energy technologies.

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