“Energy prices and economic competitiveness”

May 16, 2013

Conference Center Zielna, ul. Zielna 37, Warsaw

The Spring Summit of the Heads of State and Government of the European Union is scheduled for May 22. The President of the European Council Herman Van Rompuy has dedicated the Summit to energy policy and competitiveness. This choice is fully understandable in light of Eurostat data, which show an EU-wide increase in gas prices for the industrial consumers of 28,3 % and for private households by 23,1 % in the period between 2010 and 2012. The issue of energy prices is of crucial importance to the competitiveness of the economy as a whole. Even though energy prices in Poland are considered relatively low in absolute numbers as compared to purchasing power, they are amongst the highest in Europe, as are German energy prices. Such a situation has social consequences, giving rise to increasing discontent. This situation is also problematic for the competitiveness of the economy of the Member States and for the EU as a whole. The question is therefore: How do Poland and Germany – two countries with the leading industry production in the EU – tackle this situation?

There exists a second dimension of this problem, as averaged wholesale electricity prices are falling due to the low marginal cost of renewables electricity (the production costs of solar and wind energy are low, although the investment costs are high). At the same time, renewable energy cannot provide stable sustainable energy supply (cloudy or windless days) so the construction of the conventional power plants is still indispensable, and storage remains a distant possibility. Overall, the lowering of averaged wholesale electricity prices makes investment impossible unless there is subsidy; subsidy schemes increase, making the matter worse, or are simply cancelled, leading to no investment.

In this context appears a question of investment in energy infrastructure. Although the European Commission finances the cross-border transmission infrastructure through the “Connecting Europe” facility, it is up to the Member States to ensure that their wattage is covered. In Poland a recent decision by the Polish Energy Group to cancel the construction of two new coal-fired blocks in the Opole Power Plant is not isolated – earlier such a decision was taken regarding some smaller scale investments by the German RWE and the French EdF.

Last but not least, the European Parliament’s April vote on backloading seem to show that even the MEPs, presenting traditionally a strongly pro-ecological stance, have open ears to the business complaints that the carbon market and other climate policies are contributing to higher energy prices at the time of economy slow down.

How can the competitiveness of the European economy be preserved, while the energy prices are high due to the prices of natural resources and the profitability of investment is low– these are the questions we will tackle on the eve of the European Council.

Seminar draft programme:

1 pm– registration and lunch

1.30 pm – opening of the seminar

Introduction by Ambassador Janusz Reiter, Center of International Relations in Warsaw and by Christian Schmitz, Head of the Konrad Adenauer Stiftung in Poland

Janusz Steinhoff, deputy Prime Minister and Minister of the Economy 1997 – 2001

Dr Mariusz Swora, Law Department of the Jagielloński University, President of the Energy Regulatory Office, 2007-2010

Björn Spiegel, Economic Council of the CDU, Head of the Energy Policy Department

Christoph Bender, Association of the German Petroleum Industry, Head of the Energy Division

Representative of the DG Energy, European Comission, tbc

3 pm – 4 pm Questions and answers