



Mr. Enda Kenny
Taoiseach
Government Buildings
Upper Merrion Street
Dublin 2
Ireland

14 May 2013

Dear Taoiseach, *Dear Mr. Kenny*

Ahead of the 22 May European Council debate on energy policy, I would like to underline the huge challenge of high energy costs undermining EU's efforts to promote growth, jobs and competitiveness. With the development of the shale gas and oil revolution in the US, EU heads of state and government have to come to grips with the negative impact this could have on future industrial investment in Europe.

To contribute to the need to redirect energy policy in support of competitiveness, BUSINESSEUROPE has commissioned *Frontier Economics* to analyse the EU policy framework for energy and climate and in particular its impact on energy prices for European industry. I am pleased to send you at annex a copy of the final report. The analysis highlights:

- The electricity price for industrial consumers in the EU is from 1.5 to almost three times higher than in industrial states in the US. Over the last decade the gap between industrial electricity prices in the US and in the EU has significantly widened and prices for oil and gas are also diverging significantly.
- The divergence of electricity prices for industry in the EU and the US can be explained to some extent by the availability and exploitation of natural resources (e.g. shale gas). However, renewable policies, carbon pricing and the structure of electricity markets are playing a significant role in driving prices up in Europe.
- National support schemes for renewable electricity significantly affect the price of energy in Europe. In 2011, the net support for electricity produced in the EU for renewable reached about 37€ billion leading to an average price impact by final electricity consumer of 13 EUR/MWh. The net support is expected to increase to more than 50€ billion by 2020.
- The EU Emission Trading Scheme has already played a role in increasing electricity prices. If the carbon price increases in future – as expected by most market analysts – this will also increase the impact on the electricity wholesale price.

These findings illustrate that the current energy and climate framework will continue to drive energy costs up unreasonably, increasing the energy price gap with global competitors.

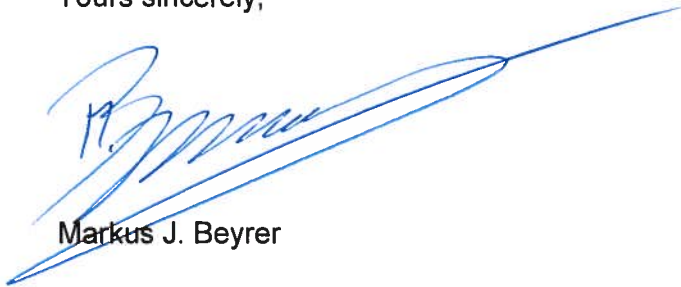


The European Commission has rightly launched the important debate on how a 2030 energy and climate framework should look like to give stronger focus to the balance between climate and competitiveness.

A two-fold approach is needed: On the one hand, to take a critical look at EU's climate policy in light of major internal and international energy prices developments. On the other hand, to refocus policy in support of technological development and investment e.g. in shale gas exploration in Europe and energy efficiency. It should also devote much more efforts to further develop the internal energy market, including by ensuring more cross-border interconnections, and to improve the coordination of national energy policies.

BUSINESSEUROPE strongly believes it is time for change. We count on heads of state and government to send a strong signal that Europe needs a resolute strategy to tackle the challenge of high energy prices.

Yours sincerely,



Markus J. Beyrer