

Power Sector Sounds Alarm over Investment Climate, Recommends Urgent Action

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Investment decisions in the European electricity industry are more difficult than they should be a major EURELECTRIC **report** has found.

44 out of 45 energy leaders surveyed said the unprecedented investment volumes that the IEA regards as necessary (€ 1 trillion by 2020) would not occur. They cited volatile national and European regulation as the most significant barrier to investment, which is putting future generation adequacy at risk.

*'The results of the study paint a deeply troubling picture of the current state of power sector investments in Europe. While it is true that this trend is not the same across all of Europe, business leaders overwhelmingly feel that a poor investment climate is leaving them trapped in a vicious circle in which changing regulation decreases the attractiveness of utilities. This deters investment and leads to yet more volatile regulation, as policymakers desperately try to ensure that the necessary investment takes place,'*said EURELECTRIC Secretary General Hans ten Berge.

Other reasons for the troubled investment climate include higher borrowing costs as a result of the sovereign debt crisis, continued distortions in wholesale and retail energy markets, and various national ad-hoc taxes on utilities.

The most important obstacles to investment could be overcome if policymakers provide greater policy consistency and prioritise long-term strategic thinking over short-term interventionism, the report concludes.

*'There is a converging view that energy companies, together with financial actors like pension funds or private equity firms, would be able to raise the necessary funds if a sound framework was set. Utilities have traditionally been regarded by investors as a 'safe bet', but although they now manage their business risks very well, the political and regulatory risks that they face are often unmanageable and investors can see this. European and national policymakers should try to restore stability through improved consistency and coordination,'*commented David Porter, who chaired the EURELECTRIC group tasked with producing the report.

The report calls on governments to rapidly implement EU legislation towards completing an integrated European energy market. Moreover, the European Commission should encourage greater alignment between EU and national energy policies. Instead of adopting an interventionist 'targets for everything' approach, policymakers should set a broad framework that allows the market to work, thereby encouraging those investments that make the most economic sense and reducing the costs of the low-carbon energy transition.

EURELECTRIC also stresses the key role of innovation, which has to become a driver for competitiveness, jobs and long-term sustainable growth.

The report 'Powering Investments: Challenges for the Liberalised Electricity Sector' is the result of an extensive EURELECTRIC enquiry into the investment climate, carried out over the past months by a task force including representatives from the power industry, financial sector, and independent experts. The findings and recommendations were discussed at a launch **event** in Brussels today and are available at www.eurelectric.org/investments, together with a full version of the report.