



ICER Response to the
European Commission Public Consultation
on the External Dimension of the EU
Energy Policy

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**ICER RESPONSE
PUBLIC CONSULTATION DOCUMENT:
THE EXTERNAL DIMENSION OF THE EU ENERGY POLICY**

Introduction

In the high profile and international discussions on energy security, low-carbon economies and sustainable development, the pivotal role of energy regulators in helping to deliver these objectives has often remained somewhat unrecognised. Energy regulation provides the ground rules under which network companies operate and make the necessary investments in order to ensure energy is provided to consumers. Where energy regulators exist and within the ambit of their responsibilities, energy regulators oversee the wholesale markets through which energy prices are set and incentivise energy companies to be provide more efficient, secure and competitive services for the greatest overall social benefit.

As markets increasingly become international and cross-border exchanges are more common, and the challenges faced by energy markets become global in nature, an understanding and open dialogue regarding the rules applicable on different borders can help ensure concrete results in support of stable, consistent and smooth market-functioning.

This document records regulators' views given from the perspective of outsiders looking in using the organisation of the International Confederation of Energy Regulators (ICER). ICER was established at the Fourth World Forum on Energy Regulation and is based on the IERN (International Energy Regulation Network) web platform¹. ICER aims to contribute to an increased understanding of energy regulation across borders, by bringing together the regional associations of the world's energy regulators. Through ICER, energy regulatory issues can transcend regional and national boundaries and be addressed through dialogue and cooperation on a global scale. Our aim is to improve public and policy-maker awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues.

Both within and beyond the EU's borders, the behaviour and policies of energy market authorities and participants have direct (and indirect) consequences on the European energy market. Through ICER, we aim to promote a better understanding of different regulatory frameworks and to lessen the risks related to isolationism. Just as energy systems are becoming less isolated, so energy regulation can benefit from a mutual understanding and exchange of best practices to support optimal markets and results for

¹ *The International Energy Regulation Network (IERN), a web platform that currently receives almost two million visits per year, constitutes, since its foundation in 2003, a practical case of cooperation and interaction between regulators coming from different geographic areas and represents a voluntary network of energy regulators that today includes over 300 regulatory authorities and promotes active worldwide among them.*



consumers. Energy regulators can therefore contribute their expertise and experience to discussions on managing the evolving shape (and breadth) of energy markets.

Bearing in mind the European Union's remarks on interdependencies and the need to take into consideration the energy scenarios that are developing in neighbouring countries, ICER believes that many overarching policy and strategic concerns, which occur against a background of intense global competition for energy-related investment and resources, can be overcome by intensifying mutual understanding among stakeholders and increasing the interaction in the regulatory arena, promoting opportunities where market players and regulators can share ideas and solutions to problems.

Several examples have been developed in the last few years, including ICER and the International Energy Regulation Network (IERN), together with the Mediterranean Association of Energy Regulators (MEDREG) and the Florence School of Regulation (FSR), to name just some of the ones supported by European Commission.

PUBLIC CONSULTATION QUESTIONS

Question 1: Should the EU promote further energy market integration and regulatory convergence (notably as regards energy market regulation, environmental and safety standards) with its neighbors? Is there a need for a differentiated approach between the Eastern and Southern neighbours or between countries?

In many regions, integrated markets have been proven to deliver long-term benefits, ensuring enhanced competition, efficient mechanisms and reciprocal gains. Market integration with neighbouring countries requires (and should imply) mutual knowledge of the legal, economic, technical and political dimension of the energy markets and of the countries considered. This is an initial but fundamental step in the direction of regulatory and market convergence, as some regional (in South-East Europe, MEDREG, etc.) experiences already show.

ICER has, through the IERN platform, dedicated efforts to promote and develop knowledge on regulatory powers to ensure properly functioning energy markets, and on the extent of these powers. We are interested in understanding these dynamics at a global scale. Our reports aim at transparency and information exchange. We are strongly persuaded that a detailed knowledge and understanding of the regulatory powers and responsibilities is a prerequisite for the establishment of any harmonised legislative and regulatory frameworks, leading to stronger integration of neighbouring countries/regions. By way of example, the IERN website provides factsheets with basic information on energy regulatory authorities from around the globe and is a useful tool for sharing regulatory experience (e.g. information on training programmes, regulators' reports and research on specific policies, comparative analysis of regulatory roles and responsibilities, etc.).



Question 3: What measures should the EU take to reinforce and focus its partnerships with key suppliers (of hydrocarbons and other energy sources) and transit countries? What should be the focus of such enhanced partnerships? (What countries? What topics?)

Question 4: How can the EU best support complex infrastructure projects outside the EU that can contribute to enhancing the EU security of supply and diversifying its supply sources and routes? For instance, should the EU seek to coordinate or be party to intergovernmental agreements which concern projects of European interest?

Response to questions 3 and 4

ICER recognizes that energy infrastructure is pivotal to foster market growth, security and longevity. In a context of cross-border markets, harmonization of procedures and regulatory practices can have a significant impact on the development of physical interconnections. Again, we believe that a profound understanding, through an exchange platform (like that of ICER and IERN) available to the various stakeholders and able to disseminate information about different regulatory procedures and initiatives can greatly facilitate the identification of common trends and possible regulatory standards able to trace a road map for convergence. Harmonized and stable rules based on strong and independent regulation can certainly facilitate the investment climate in infrastructure that is currently much needed and that will be necessary in the very near future in many countries.

We believe that the EU could play an essential role in a) facilitating a working level dialogue among regulators (twinning programs being interesting examples of positive experience in this direction); b) promoting training activities where regulators coming from different countries can share their experience and views on major themes; and c) supporting projects that can integrate different regions in a more comprehensive way.

We believe that tangible projects, such as the EC founded initiatives in the framework European Neighbourhood and Partnership Instrument (ENPI), encourage the EU to maintain its involvement in initiatives that bring together EU and non-EU stakeholders. In addition, the promotion of regulatory networking initiatives, aiming at facilitating the development of partnerships and joint training programs could encourage the diffusion of transparent and stable regulatory rules which, in turn, facilitate investments.



Question 5: What focus should the EU give to its energy cooperation with major consuming countries? In what topics and countries could the EU action bring most added- value?

Question 6: Should the EU take action to increase its collective weight in global energy discussions and in international organizations and initiatives dealing with energy? How?

Question 7: What initiatives could help the EU promote nuclear safety, security and non-proliferation standards globally?

Response to questions 5, 6 and 7

Dissemination of good practices should be a primary focus of the EU. In this respect, we believe that promoting specialised training and exchange of information among key stakeholders can be a strong tool to support stable markets.

ICER's experience shows that in a global world, networking among regulators is a powerful process able to guide convergence of understanding on topical issues. For example, in 2010 ICER issued a "Review of Current regulatory Practices in Promoting Energy Efficiency", covering worldwide practices which was posted in time for the G8+ meeting in Canada in June 2010. In the same month, ICER also held, in co-operation with the Renewable Energy and Energy Efficiency Partnership (REEEP) and with the support of the UK Foreign and Commonwealth Office, the ICER/REEEP Wilton Park Conference on "Transiting to a Low Carbon Economy." In early 2011, ICER is holding a workshop on natural gas issues with the International Gas Union in an effort to identify and discuss the challenges faced by this global industry. Meanwhile, spring 2011 will see ICER hosting a workshop on energy efficiency issues during the EU's Sustainable Energy Week. The EU is already playing an active role in many of these topics by being a founding member of international regulatory initiatives such as the Energy Community and through its support to MEDREG and ICER. We believe these initiatives should be developed further. In this respect, we signal the key importance of the World Forum on Energy Regulation (WFER) in bringing forward the discussion of the principal regulatory challenges at universal level, as well as the work of ICER to study, at global level, the main regulatory issues. The next WFER will take place in May 2012 in Quebec City.



Question 8: How could the EU and its Member States gain together greater impact on international energy issues? What concrete actions should be taken to ensure synergies and coordination between Member States' initiatives and EU initiatives?

Question 9: Do you consider that the compliance with EU internal market rules and the EU energy security objectives of Member States' bilateral agreements with third countries can be an issue? Should the EU take action to ensure compliance? How?

Question 10: How could the European industry and civil society best contribute to the EU external energy policy objectives?

Response to questions 8, 9 and 10

ICER is aware that identifying ways to reinforce the efficiency of energy policies with regard to external relations is neither easy nor painless. But we also see that the EU's promotion of a single energy voice constitutes a clear and powerful reference point for neighbouring and exporting countries.

Energy dialogue with producing and transit countries is essential and should be conducive to compatible and sound regulatory practices. We are convinced that a strong emphasis in promoting the tools and initiatives that contribute to a mutual knowledge and understanding of the legal and regulatory framework in place in the various countries is a powerful instrument in the hands of the European Commission. We have provided above examples of existing and well-functioning exchange platforms that, at various levels, contribute to the dissemination of regulatory expertise. We believe that the Commission should support further such instruments together with a co-ordinated effort at all levels, that takes into consideration the different roles and responsibilities of the institutional bodies and other parties involved in complex energy scenarios. Intensifying the participation in such organisations and institutions on part of the European Commission would be highly desirable as it always spurs increased activity by the other parties involved.

ICER's members are drawn from the world's energy regulators, and as such have a wealth of regulatory experience which derives from their different backgrounds and the very different market conditions in which they operate.

By facilitating mutual understanding among regulators operating in different systems, ICER hopes to support the creation of strong, informed and stable regulatory frameworks which are an essential element for encouraging investment in energy infrastructure and fostering competition, and which are fundamental to meeting overall objectives of sustainability, competitiveness and security of supply.



Annex 1 – ICER

The International Confederation of Energy Regulators (ICER) is voluntary framework for cooperation between energy regulators from around the globe. Its aim is to improve public, and policy-maker, awareness and understanding of energy regulation and its role in addressing a wide spectrum of socio-economic, environmental and market issues. By establishing this voluntary confederation, with regular and structured contacts and cooperation between regulators, the world's energy regulatory authorities hope to exchange information and best practices in the regulation field and to make a significant contribution to the evolution towards a sustainable planet.

ICER brings together in a formal and structured dialogue the energy regulatory authorities from across 6 continents and over 200 regulatory agencies, including both the most developed markets and those which are still taking shape. It is composed of 11 regional regulatory associations as well as the regulatory authority for Australia.

More information is available at www.icer-regulators.net.