December 2015

EEF Information Bulletin

Editorial

2016 Programme is in process

The EEF is preparing the 2016 programme of events and a discussion with EEF members is essential at this stage of the process. That is why Associate Members where invited to the **ITAC meeting** that took place on 12 November. It was an opportunity for them to exchange views with other members, with the Board and the EEF Secretariat.

Apart from the different proposals received to build up the 2016 programme, some of the recommendations that were brought up at this meeting had to do with including more contradictory points of view in the debates or tackling a specific topic from a broader perspective that would take into consideration the situation of different industry sectors.

The topics and issues raised at this meeting were subsequently examined by the **Bureau** that met in Strasbourg and a preliminary programme of events for 2016 is being set up taking into account members' suggestions and remarks, as well as upcoming legislation.

Upcoming events

2016, 12 January — Dinner-debate in Brussels

Energy and Climate discussion with Commissioner Arias Cañete

At the invitation of **the EEF**

2016, 19 January — Dinner-debate in Strasbourg

Security of supply in electricity: elements for the 2016 legislation

At the invitation of **the ENTSO-E**

2016, 23 February — Dinner-debate in Brussels

Electricity Market reform: more renewables, more security of supply and at competitive cost

At the invitation of **Iberdrola**

ITAC Meeting

EEF Events

Can industry thrive in Europe? Reconciling the EU's climate and growth agendas

10 November 2015, Dinner-debate in Brussels

Hosted by FuelsEurope and CEFIC

This month, the EEF organized two complementary dinner-debates on the revision of the EU ETS. On 10 November, the discussion focused on the new rules for carbon leakage and free allocations in the Commission's legislative proposal for phase 4 of the ETS.

Speaking on behalf of Cefic and FuelsEurope, **Philippe Sauquet**, President of Total Refining and Chemicals, presented the views of the oil refining and chemicals industries on how to reconcile the EU's climate and growth objectives. The two sectors reaffirmed their commitment to combat climate change and develop energy-saving products. But in return, they called for protection: *carbon leakage provisions to the refining and chemicals sectors should be maintained as long as there is no globally-binding agreement on GHG emissions reductions.* In addition, Mr Sauquet emphasized the need for flexibility in the allocation system *which should provide free allowances to the level of best installations in exposed sectors and allow them to grow*.

Hans Bergman, the Head of the Unit in charge of benchmarking and free allocations to industries at DG CLIMA, took the floor to comment on the requests made by the two industries. Until now, the EU ETS has proven to be quite flexible in terms of number of allowances, particularly for installations which increase capacity and companies which open new activities. In order to complete the transition towards a low-carbon energy system while maintaining the competitiveness of industries, Mr Bergman pointed out the role of innovation. A stable framework is crucial to encourage investment in low-carbon innovation and modernisation. The proposal of the European Commission is a step in this direction since it includes an innovation fund to support the industry and the power sectors.

The dinner-debate was also attended by **Dr Ian Duncan**, rapporteur on the EU ETS reform. The position of ENVI Committee on the proposal should be known by May next year.

EEF Events

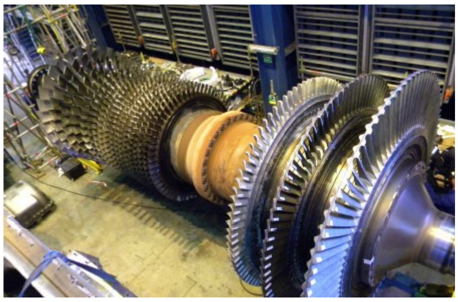
Flexible “gas-to-power” solutions

18 November 2015, Visit to Ghent

Hosted by EUGINE and EUTurbines

Visiting group during power plant tour

Engine-based cogeneration unit in Ghent Ham
Source: EDF Luminus



Gas turbine in Ghent Ringvaart
Source: EDF Luminus

Pipes connected to the aeroncondensor in Ghent Ringvaart

The European Energy Forum was invited by its Associate Members **EUGINE** and **EU Turbines** to visit two power plants operated by EDF Luminus in Ghent. MEP **Julie Girling** chaired the EEF delegation. The visit showed the different applications of gas turbines and engines in electricity generation to improve the flexibility or the efficiency of the energy system. An introduction about both power plants was done by **Johan Dierick**, zone manager of the thermal power plants in Flanders at EDF Luminus who also escorted the group around the plants giving the needed information and answering to the numerous questions from participants.

The power plant of **Ghent-Ham** was the first stop in the programme. The construction of the plant dates from 1924 and this visit was a travel in history of power plants. The machine hall is now classified as an industrial monument.

As explained during the guided tour across the plant, electricity is currently generated by a combined cycle unit and 2 open cycle gas turbines. Whereas combined cycle units are more efficient, open cycle gas turbines are more flexible to better adjust to demand changes in the market.

Ham’s combined cycle unit is also equipped with a heat recovery system that feeds the 12km district heating network of Ghent, the largest one in Belgium, built in 1958.

The group then headed towards a second power plant located in **Ghent-Ringvaart** that operates a Combined-Cycle Gas Turbine (CCGT). Combined-cycle turbines generate electricity twice with the same amount of fuel, in this case natural gas, and recover about 55% of the gas combustion heat.

The itinerary finished in the control room where the electricity produced in different power plants in Belgium is managed according to energy demand.

The full summary of this visit will be available in the 2016 Activity Report of the EEF to be published in January.

EUROPEAN ENERGY FORUM
FORUM EUROPÉEN DE L'ENERGIE

December 2015

EEF Events

The EU ETS: an engine to drive innovation and industrial competitiveness in the EU

24 November 2015, Dinner-debate in Strasbourg
Hosted by Shell

The last dinner-debate of 2015 focused on the reform of ETS as a driver of innovation for the energy industry. It was complementary to the previous event focusing on carbon leakage.

The European Parliament has already started working on the post-2020 structural reform of the ETS based on the Commission's legislative proposal published in July. **David Hone**, Chief Climate Change Advisor for Royal Dutch Shell explained that in order to make a change in the EU energy system , the lowest possible carbon price should be 30-40 euros per allowance. That price would incentivise the change from coal to gas, as well as the deployment of renewables and carbon capture and storage techniques.

However, the current price is 8,50 euros and according to market signals, it is not expected to be much higher in the coming years, although it would be necessary to achieve the 40% emissions reduction by 2030. According to David Hone, these market signals could be interpreted as a lack of confidence in the capacity to fight the challenges that are keeping the carbon price so low. In that sense, Mr Hone highlighted some key points that policy makers should take into consideration in the new proposal, notably the impact of overlapping policies, the use of revenues, competitiveness concerns and the consideration of EU ETS as a foundation for a global ETS market.

Artur Runge-Metzger, Director for 'International & Climate Strategy' at DG CLIMA, commented on the Commission's proposal. Mr Runge-Metzger stressed that innovation and competitiveness are two issues that need to be addressed. 400 million allowances have been set aside to boost innovation and promote the use of new technologies, such as carbon capture and storage or renewable energies, both in in industrial sectors and other sectors covered by the EU ETS. Measures to boost innovation will also take special account of sectors at high risk of carbon leakage. In that sense, the Commission will continue all the measures already in place until 2030. Finally, the EU executive will also look at the problem of indirect costs. As explained by the Commission's representative, Member States will have to do that through a state-aid framework.