

PRESS STATEMENT

9th December 2005

EFET reaction to EU Energy Council Conclusions December 2005

Europe's Energy Ministers have set the scene for further developments in the electricity and gas markets in 2006. The European Federation of Energy Traders joins the Council in calling for full implementation of existing EU energy liberalisation legislation in all Member States not only in letter but also in spirit.

EFET agrees with the Council, that effective unbundling of network businesses from energy trading and supply is essential, to enable fair and non-discriminatory infrastructure access and use by market participants.

The initial findings of the Commission's ongoing sector inquiries and market review have shown that improvements are needed both in the gas and power markets. EFET has already reacted to the preliminary reports¹ and believes that timely actions aimed at removing barriers and reducing market distortions are needed. This should be carried through as one of the most important priorities for the European Commission, Governments and regulators during 2006.

Whilst wholesale electricity trading is well advanced in Europe, the same cannot be said for gas trading. This has detrimental effects on wholesale power prices. For example some gas-fired power generators cannot access market-priced gas to optimize their fuel costs. Regulators and governments need to turn their attention to developing wholesale gas and trading hubs, so that sustainable competition combined with supply security become a reality.

Finally, the issue of information transparency is crucial to market confidence and market efficiency. The information which ought to be made available to all wholesale power and gas market participants is data concerning the availability and use of physical infrastructure (e.g. for production, transmission or storage). This is the area where improvement is needed. Wholesale *price formation* occurs partly as the result of normal commercial interactions between all kinds of market participants. The pricing of individual deals, as with any traded commodity, cannot be expected to be linked publicly to specific buyers and sellers. If it were, market confidence and liquidity would rapidly collapse. Anonymous price reporting is of course to be encouraged.

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¹ See EFET press statements about DG TREN and DG COMP preliminary reports at <http://www.efet.org/Default.asp?Menu=30>.