Energy prices and costs in Europe

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Main findings 1/2

• Retail prices of electricity and to a lesser extent of gas have risen influenced by market forces and government policy – by up to 4% a year in recent years.

• Price differences across Member States are large in retail electricity and gas across markets and have increased over time.

• There is a disconnect between convergent wholesale markets and diverging national retail markets.

• The convergence and fall in wholesale electricity prices has not resulted in lower retail prices, suggesting inadequate implementation of the internal energy market acqui.
Main findings 2/2

• Energy efficiency has only partially compensated price rises and energy costs have risen too.

• The energy price gap between the EU and major economic partners has increased in recent years.

• We have at our disposal the policies that can keep prices in check and reduce our energy consumption and costs.

• Energy cost challenges call for a joint effort by the EU, national governments, industry and consumers.
What has driven electricity and gas prices?
What has driven electricity prices?

Source: Eurostat. Includes taxes in the case of households; excludes VAT and other recoverable taxes in the case of industry but other industry exemptions are not included (not available).
What has driven gas prices?

Source: EC, Metadata Member States. Includes taxes in the case of households; excludes VAT and other recoverable taxes in the case of industry.
Comparing Price Changes: Electricity vs Producer Price Level

Electricity prices for median industrial consumers (500 MWh < Consumption < 2 000 MWh) net of VAT and other recoverable taxes and levies.

2008 - 2012% change
All prices in national currency

Comparing Price Changes: Natural Gas vs Producer Price Level

Gas prices for median industrial consumers (2.78 GWh < Consumption < 27.78 GWh) net of VAT and other recoverable taxes and levies.

2008 - 2012% change
All prices in national currency

Legend:
- Price change electricity smaller than price change PPI
- Price change electricity larger than price change PPI
- Electricity price change

PPI stands for "Producer Prices in Industry". It measures the average price level of goods and related services resulting from all industrial activities: basic construction, conversion, trade, management, and repair.

Source: Eurostat Energy Statistics
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Gas price data for Austria, Cyprus, Greece and Malta not available.
Global energy price trends
EU industries pay more for electricity and gas than major trading partners

Electricity end-use prices for industry, 2012

Sources and notes: see p. 177 and 179 of SWD (2014) 20

Gas end-use prices for industry, 2012
Price developments 2008-2012

Change in real index of industrial end-use prices (2008-2012)

- OECD Europe
- Australia
- Canada
- Japan
- Korea
- United States

Source: IEA, European Commission calculations
No level playing field in fossil fuel pricing

Fossil fuel consumption subsidies for top 25 countries, 2012

Source: IEA WEO 2013
Moving on... what to do about rising costs?

- **Complete the internal (wholesale and retail) market**: competition brings cost savings, alignment of wholesale and retail prices
- **Switch energy supplier/energy procurement**
- Look at non-market elements - network costs, taxes and levies - in light of **best practice**
- Keep (energy financed) **energy and climate policies** cost effective
- Use more **energy efficient products** and processes
- Ensure **level playing field in energy pricing** (bilateral, WTO action)
- Diversify suppliers and supply routes, common European voice in negotiations with suppliers
- Ultimately, protect vulnerable households and exposed industries
Thank you for your attention