



# **Securing European Energy Supplies: Making the Right Choices**

**CEPS Task Force - 31 March 2009**

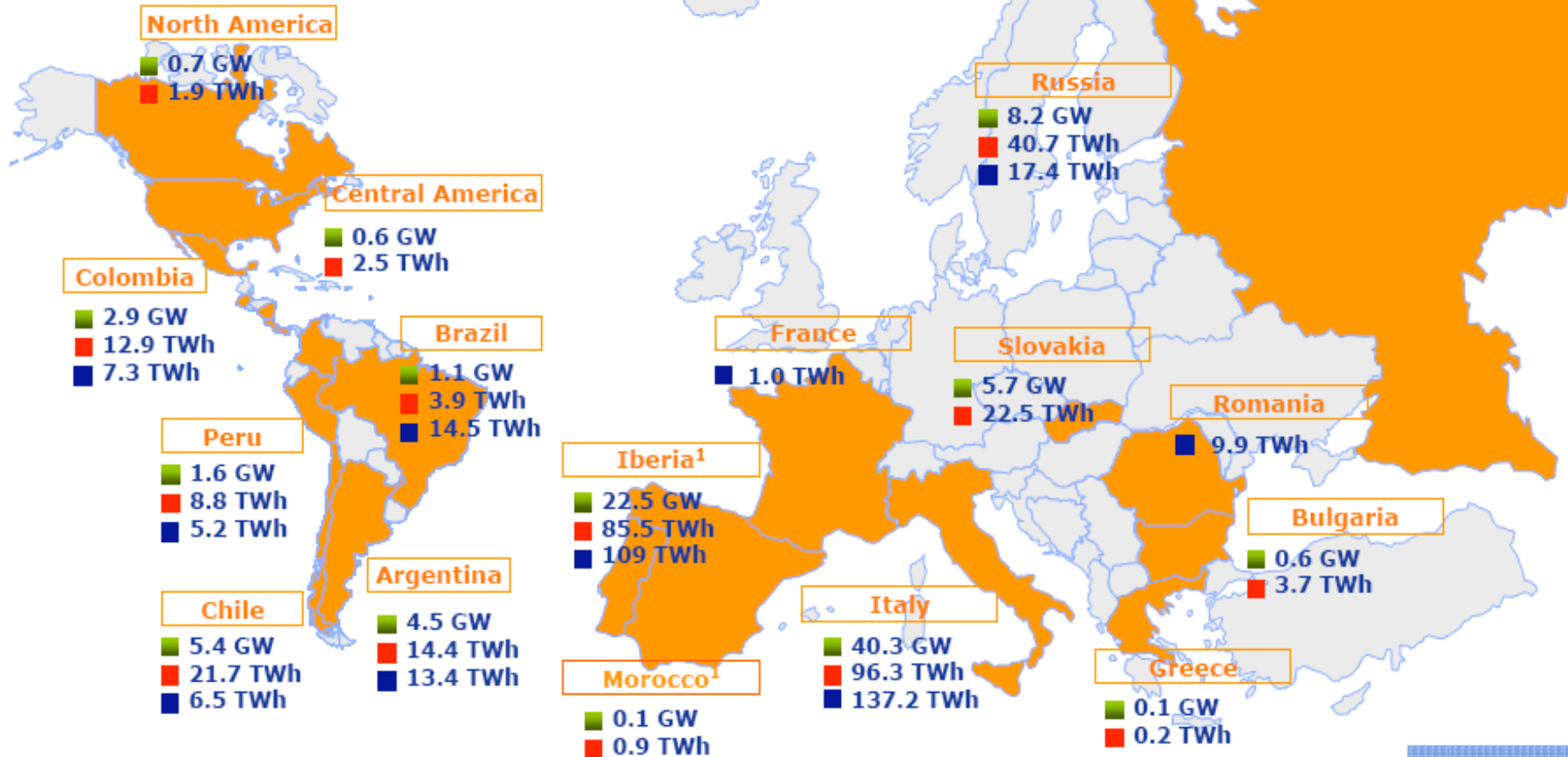
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# Agenda

- **The Enel group**
- **The reference scenario**
- **The Third Energy Package**
- **The European Economic recovery Plan**
- **The European Council (19-20 March) and the legislative reform on the security of gas supply**
- **The Second Strategic Energy Review**
- **A new energy paradigm**
- **Porto Empedocle LNG Terminal**

# Group overview<sup>1</sup>

- 2008 Installed capacity (GW)
- 2008 Net production (TWh)
- 2008 Tot sales to final customers (TWh)

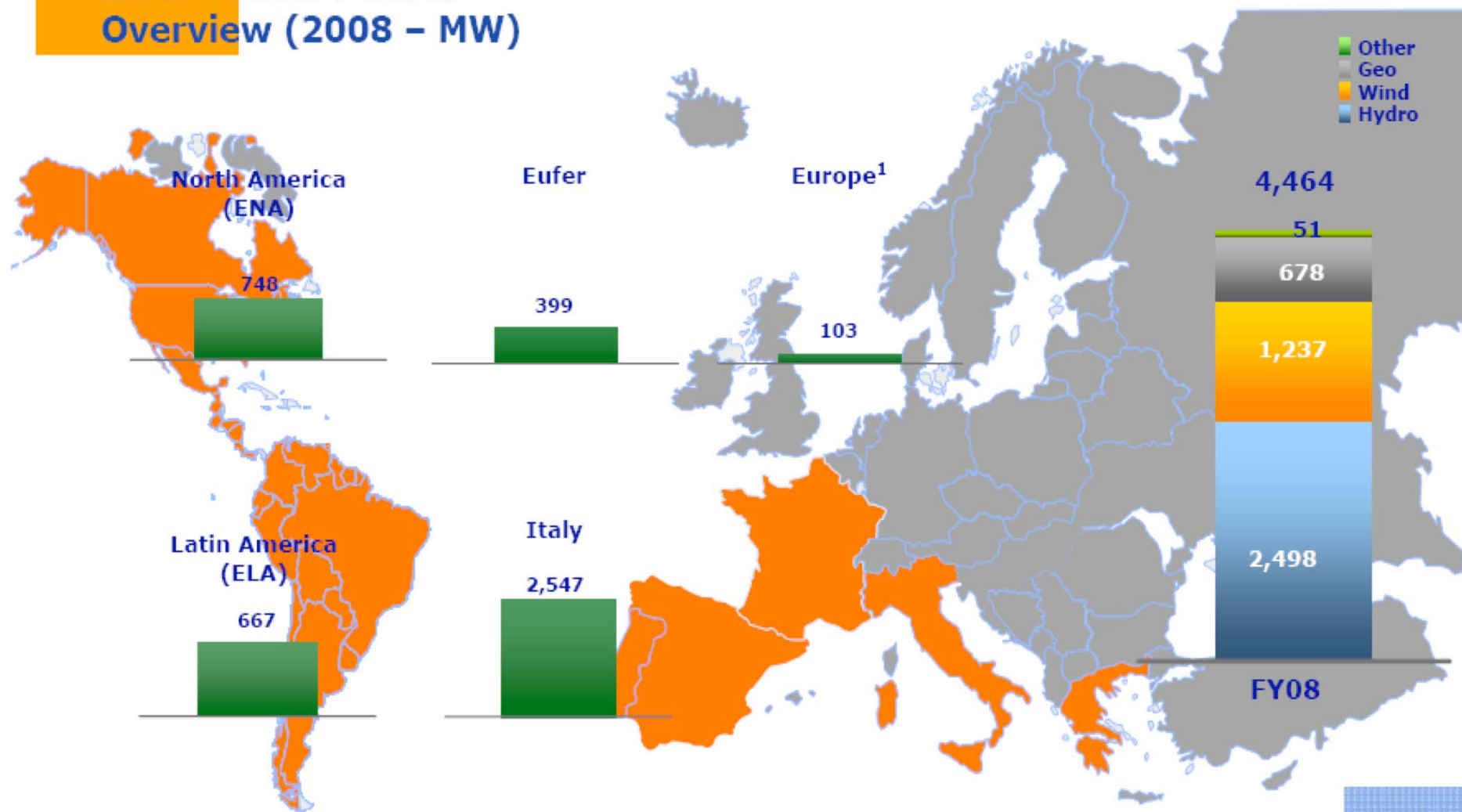


## An international integrated energy player

1. Including: 100% Endesa net of the assets to be transferred to Acciona, full year OGK-5 and E. Muntenia Sud production and sales. Excluding Viesgo's January - June 08 production and sales



# Group strategy Enel Green Power Overview (2008 - MW)



A well diversified portfolio in terms of technologies and geographies

1. France and Greece



# The reference scenario

## Impact of financial crisis on energy markets

- The global economy is facing a **financial crisis** which main consequences are:
  - Difficulties in obtaining credit & higher cost of capital
  - Lower prices & cash flows have made new investments less attractive
  - Falling demand caused by economic recession has reduced urgency & appetite for suppliers to invest > **delay the development & commercialization of more energy-efficient demand-side technologies**
- Peculiarities of **power sector**
  - Uncertainty about future electricity demand is a key risk factor influencing power-company **investment decisions**
  - Impact varies depending **on the region** and on the **regulatory regime** (much bigger in deregulated markets)
  - Capital-intensive renewables & nuclear especially vulnerable to financing difficulties & lower fossil-fuel prices

# The reference scenario

## Impact of financial crisis on energy markets



Lower investment is a market reaction to weaker demand & prices, but abnormal barriers to access to finance justify policy action

The crisis provides an opportunity to step up incentives for clean energy investment as part of economic stimulus packages

## The Third Energy package

- An efficient, liberalised and well connected internal energy market is a prerequisite for an effective policy on energy security.
- According to the Draft Directive (Recital 41 - European Council – 25/03):
  - *“In order to contribute to security of supply whilst maintaining a spirit of solidarity between Member States, notably in the event of an energy supply crisis, it is important to provide a framework for regional cooperation in a spirit of solidarity.”*
  - *“Cooperation for the promotion of regional and bilateral solidarity should not impose a disproportionate burden on or discriminate between market participants.”*
- It would be essential for the European Parliament to conclude an agreement on the third package for the Internal Energy Market before the parliamentary recess.

## The European Economic Recovery Plan

- The European Council reached an agreement on the Community part of the European Economic Recovery Plan, in support to projects in the field of energy and broadband internet as well as CAP Health Check related measures.
- For gas and electricity infrastructure projects, the list of projects to be supported is established according to the project's contribution to the objectives of security and diversification of supply as identified in the 2nd Strategic Energy Review and endorsed by the European Parliament and the Council.
- Now is crucial for the Presidency to accelerate contacts with the European Parliament with a view to the Council and the European Parliament reaching agreement before the parliamentary recess.



## Brussels European Council (19/20 March 2009) and the legislative reform on the security of gas supply

- “Energy infrastructures and interconnections must be developed. To that end, the Commission, in cooperation with Member States, is invited to rapidly present the detailed actions required to realise the priority areas identified in the SER.”
- “Looking to the longer term, the Commission is invited to present **early in 2010** its proposal for a new EU Energy Security and Infrastructure Instrument.”
- “ The Council should examine **by the end of 2009** the forthcoming Commission proposals to revise legislation on the security of gas supply. This should include an appropriate crisis mechanism ensuring the preparedness of all actors, including the energy industry, transparency and prior information through the development of EU and regional plans for security of supply;”

# The Second Strategic Energy Review

- Enel welcomes the Commission engagement for an integrated approach in energy policy to improve international partnerships for security of energy supply
- For a new European Energy strategy is crucial
  - (a) to use **common scenarios**
  - (b) to follow some criteria as flexibility of energy policies for Countries and sources, protecting private investments without interfering with competitiveness market

## Some aspects related to SER II

- SER II stresses the importance of strategic investments for the development of a safer and more secure European market, in gas and electricity sectors.
- **Enel** particularly welcomes the accent put to supply security issues and the focus on infrastructure investment in the SER
- Unprecedented levels of new investment will be needed over the next twenty years to replace ageing generation plant, meet increased electricity demand and tackle the challenge of climate change.
- The Commission proposal is welcomed and needs to be supported, indeed we consider the diversification of energy sources as a crucial step for the energy security of supply in the EU.
- The financing of new interconnections, LNG plants and CCS technologies is fundamental to reach the EU targets in 2020.

# A new energy paradigm

Secure, competitive and sustainable energy



L'ENERGIA CHE TI ASCOLTA.

## Secure



## Competitive



## Sustainable



- Create a proper framework for the investments, remove barriers
- Fuel and geographic diversification, new infrastructure and energy efficiency;
  - Renewable energy sources
  - LNG terminals and pipelines
  - Nuclear
  - Clean coal and CCS
- Research and innovation



## Porto Empedocle LNG Terminal



## Porto Empedocle LNG Terminal

- The project of *Nuove Energie*, a company controlled by Enel at 90% is to build a LNG plant with a capacity of 8 billion cubic meters a year.
- The LNG terminal will be built in Porto Empedocle, on an area government-owned and zoned for industrial use.
- The project has planned an investment of around 600 million euros.
- The construction of the LNG terminal will lead to employ 500 people with peaks up to 900 during the construction period, for 4 years, and over 200 employees, direct and indirect, when the LNG terminal will be operational.
- In Italy operates so far only one - little size - LNG Terminal (3,5 billion cubic metres every year); it is working since 1971 and it is located in Panigaglia, La Spezia district, in the Poets Gulf, the one where Lord Byron used to take his swimming.

## Piebalgs on LNG Terminals (1)

- *“LNG has a number of advantages compared with piped gas. To start with, its flexibility. It can be shipped there where it is needed.*
- *“In the recent gas crisis between Russia and Ukraine, we have seen how Greece managed to ensure its supplies with the gas received by ship from its LNG terminal”*
- *“Secondly, LNG terminals allow importer countries to have a greater number of gas suppliers.”*

## Piebalgs on LNG Terminals (2)

- *“LNG is also a very good alternative to face peaks of demand. A very cold winter or a very hot summer may lead to increased gas demand and LNG offers the flexibility to divert more gas there where is most interesting.”*
- *“Of course, like any other energy source, LNG has its drawbacks. The price is still higher than piped gas and the infrastructure needed to treat it and transport it is still very costly. And since LNG can be transported anywhere, there is more competition for shipments.”*



## Piebalgs on LNG Terminals (3)

- *“For me, it is clear that LNG will play a greater role in our security of supply strategy (...).”*
- *“ For that we need to increase our re-gasification capacity. This is one of the objectives of our Second Strategic Energy Review. ”*
- *“Before the end of the year, the Commission will present an LNG action plan with concrete measures to make the best of this new way of increasing our security of gas supplies.”*