

September 2017

## Euromines Position with regards to the Electricity Market Design

### **Euromines welcomes a well-functioning, integrated electricity market**

Euromines supports a stable and predictable energy and climate change policy that ensures sustainable growth and global competitiveness for the EU industry as a whole as well as for the energy-intensive industries in particular. We share the belief that the main objective of energy policies should be securing energy at affordable prices as well as ensuring industrial competitiveness while achieving appropriate climate reduction targets.

Euromines welcomes the European Union commitment to ensure a well-functioning, integrated electricity market allowing non-discriminatory market access for resource providers and electricity customers, empowering consumers, enabling demand response and energy efficiency, facilitating aggregation of distributed demand and supply, and contributing to the decarbonisation of the economy. Nevertheless, the overall design of the electricity market should not undermine the essential economic, social and environment –related input needed by the society’s sustainable development.

### **General remarks and recommendations**

With regards to the Electricity Market Design (Regulation and Directive) draft proposals, Euromines would like to make the following general comments and recommendations:

- 1. The mining industry is an energy consumer.** Principles such as the right of access to electricity grids, free choice of suppliers for consumers, robust unbundling rules, the removal of barriers to cross-border trade as well as the new technological opportunities to reduce bills and actively participate in electricity markets through demand response, self-consumption or storage also apply to the mining industry the same way they apply to all other customers.

**Recommendation: Industry should be clearly mentioned as a final energy customer, alongside SMEs and households.**

- 2. The whole design of the electricity market should not undermine the competitiveness of the European industry on the worldwide market,** in particular the energy-intensive sectors that are most vulnerable to energy cost increases. Mining helps ensure the employment of some 30 million people in Europe. Therefore, creating a more solid, predictable and sustainable network of raw-materials supply is essential for manufacturing industries to produce their tradable goods and services. Providing better conditions for mining in Europe can decrease dependency on imported raw materials and therefore make the EU a stronger, more reliable trading partner.

**Recommendation: Global competitiveness should be dealt with and clearly specified in the scope of the Regulation.**

- 3. The electricity market design should ensure a level playing field for all participants.** Rights and obligations should be applied equally along the whole value chain and all obstacles as well as other distortions that could disturb the market equilibrium should be eliminated. Any additional instruments

or regulatory barriers influencing or disturbing the competitiveness of the European electricity market partakers should be avoided. In addition, it is important at least for Euromines to ensure that the functioning of the EU Emissions Trading System is not undermined by the electricity market design.

**Recommendations:**

- **Capacity mechanisms should only be used on short and medium term when no other alternative is available; they should not create any distortions to the market and should phase-out once they are no longer needed.**
  - **The only target of a capacity mechanism should be system adequacy. The proposed 550 gCO<sub>2</sub>/kWh emission performance standard would be ineffective in terms of climate protection, because no greenhouse gas emissions would be saved only shifted. Even more, the aim of reducing greenhouse gas emissions is clearly addressed by the EU Emission Trading System (EU ETS).**
  - **The non-discriminatory treatment principle should be applied to all electricity sources. At the same time, priority measures such as dispatches should be avoided as they are opposing the equal level-playing field for all sources.**
  - **Tariffs should also be applied non-discriminatorily and should avoid punishing energy storage, demand response, or self-generation.**
4. The **local and regional specificities** should be taken into consideration when strengthening regional cooperation and increasing the power of EU level entities such as the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators (ENTSO).

**Recommendation: EU universally applicable rules and requirements should be assessed against local adequacy, as most of them already have a local, national or regional dimension.**

**Specific electricity market design comments and recommendations**

Additionally to the above-mentioned suggestions, Euromines would like to bring up two specific recommendations:

1. **Demand response**<sup>1</sup> should also be available for final customers (including industry), should have a voluntary character and should not be limited to a reaction to the different 'market signals'. It should be clearly defined, barriers for addressing it should be avoided and all market participants should be encouraged to take advantage of it.
2. **Long term contracts** should be promoted by the legislation as several industry representatives see them as a long-term option ensuring the viability of the business model. The current measures restricting contracts to mid-term, without exceeding three to four years negatively affect several companies looking for long term stability. Additionally, the long term contracts could contribute to electricity market balancing and network security.

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<sup>1</sup> Demand response is the intentional modification of normal consumption patterns by end-use customers in response to incentives from grid operators. It is designed to lower electricity use at times of high wholesale market prices or when system reliability is threatened. Demand response requires consumers to either actively respond to signals from the operator or, in what may be a more appealing option, to make use of automated solutions to enter into contracts with service providers (<https://setis.ec.europa.eu/setis-reports/setis-magazine/smart-grids/demand-response-empowering-european-consumer>)

### **About Euromines**

**Euromines**, the European Association of Mining Industries, Metal Ores & Industrial Minerals, represents large and small companies and subsidiaries in Europe and in other parts of the world which provide jobs to more than 350,000 people. Through the activities and operations of these members, more than 42 different metals and minerals are produced. Their sustainable exploitation can increase Europe's supply of mineral resources, help ease imports from third countries usually applying lower environmental, corporate and social standards and foster the socio-economic growth of Europe's Regions.