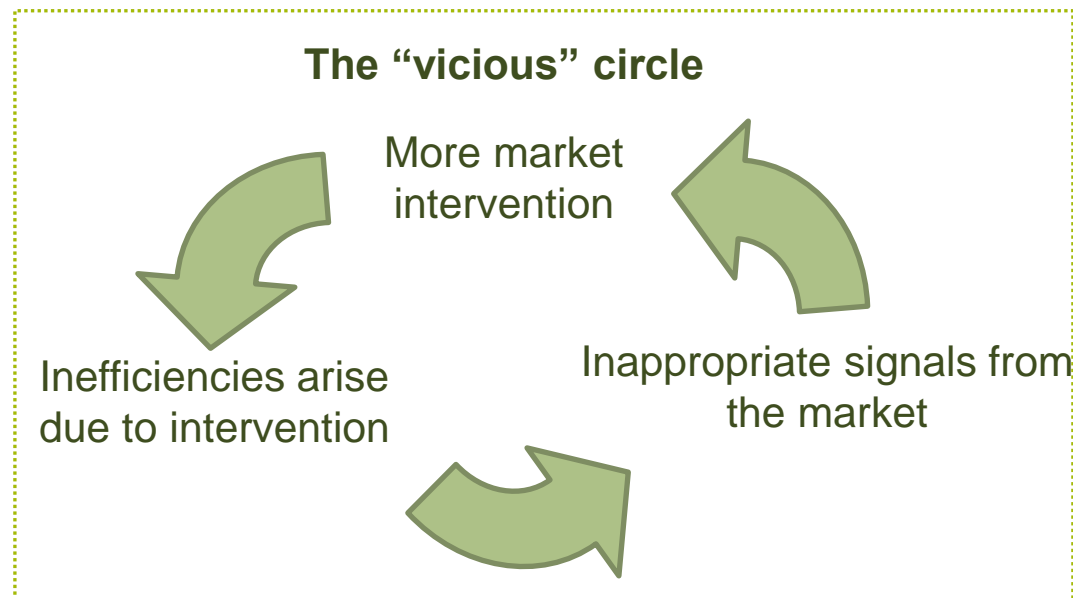


European competition policy and the energy transition

In many cases political intervention in markets hampers efficiency, creating a “vicious circle” that results in inefficiencies...



...that hinder the achievement of EU goals, mainly in transitional stages. Significant political intervention could have an adverse impact on competition.

Some potential problems....

**Asymmetries in
transparency of
sectors and
countries**

**Internalization
and insufficient
effort sharing of
climate policies**

**Security of
supply concerns**

**Interconnections
are largely
insufficient**

**Different and
uncoordinated
taxes & levies
across the EU**

Some potential problems....

**Asymmetries in
transparency of
sectors and
countries**

- **Incorrect diagnoses**
- **Harmonization**

Some potential problems....

Firm capacity is needed .
EOM: Constraints

- Exit barriers, price caps, SoS level...
- High penetration of renewables
- Lack of interconnection capacity.

Security of
supply concerns

CRM: Part of the
market design, not
subsidies.

- Transparent,
- Efficient,
- Wide and neutral
- Market oriented
- Long-term

Some potential problems....

**Interconnections
are largely
insufficient**

- **National competitiveness**
- **Smaller relevant market**

Some potential problems....

Costs not related with supply + Differences in energy taxation

- Loss of competitiveness
- Artificial local signals.
- Artificial competitiveness
- Inefficient business models
- Interconnection justification

Need for harmonization of taxes
and levies

Different and
uncoordinated
taxes & levies
across the EU

Some potential problems....

Aligning policies for internalization

- “Polluter pays” principle:
 - Removing subsidies to emitters
 - Reducing taxes to non-emitters
- **Sharing climate policy costs**
 - Level playing field among agents, among countries and among substitute products from different sectors
 - Non ETS and CO₂ cost

**Internalization
and insufficient
effort sharing of
climate policies**

Example of competition among transport modes

Fossil fuel trains enjoy an artificial competitive advantage since electricity bills include CO2 cost and policy cost not related to electricity supply

Electric train



CO₂

Other costs

Other taxes

VAT

Electricity

Fossil fuel train



Other costs

Other taxes

VAT

Diesel

a) To remove from final electricity prices all those costs not related to supply

b) To establish a balanced share of the cost ("polluter pays principle")