



The energy transition in Europe: different pathways same destination? Opening session and Introduction by Bruno Lescoeur, CEO Edison Rome, May 29, 2013

Dear Undersecretary De Vincenti, distinguished guests, dear friends and colleagues from the World Energy Council and from the energy world, buongiorno.

I have been tasked to share with you some remarks opening the way to a rich debate on European energy strategies, and ultimately on European energy itself. It is a great pleasure for me to address you today as CEO of Edison, whose link to European challenges dates now 130 years. Mr. Colombo, the founder of the Milan Polytechnic and of our company, was a leader in the European rush to the electrical revolution. He was a visionary for his times, doing business with Americans, exchanging with French and Germans, competing with British colleagues to reach commercial operations first.

Ever since, Europe has remained a strong reference, well rooted into our company's core, up until today, when Edison became the platform for gas and Mediterranean investments for the EDF Group.

This is why I am glad to say that we found a natural partner for our discussion in the WEC – World Energy Council. I wish first to thank the Italian Chapter of WEC for a great cooperation we are having over-time, and let me thank Gilberto Callera. I do appreciate the presence of friends from other European WEC Chapters as a sign of a genuine commitment to exchange and mutual understanding. Thank you for having partnered with us in this organization.

Let me now focus on some key introductory remarks on our topic. We are here to draw a “continental” vision on key national energy transition strategies, and I will focus on some key questions, awaiting for the set of responses that will come from our diverse set of participants.

A first consideration is on the opportunity we have ahead of us. Few occasions in the world's energy history have more required sound assessment and decision-making than today. It's not by chance that we see all national and supra-national players engaging in large-scale rethinking of their energy strategies and policies. Europe has to be at the forefront of this debate, as its current state of energy policies is challenged as never before.

It is clear that current energy policies are not fully delivering their projected outcome even after the debate that Heads of State and Government held in Brussels one week ago.

Stating from the first preoccupation of policy makers:

1. Competitiveness

The situation needs to be severely redressed: final prices are staggering, while wholesale prices, that are based on market competition, are worryingly low. Italy is a good example of the current situation: it was a champion of the liberalization process, which triggered investments and technology improvements; now, less than half Italian electricity is offered via a competitive market, and its modern power stations are being shut also as consequence of the unbalanced bulk of incentives for Renewable Energies.

2. Sustainability

The economic crisis has delivered on emissions reductions, but it is fair to say that current policies did not deliver in picking the most efficient emission reductions solutions. On the contrary we have huge average costs of abatement, and we are seeing paradoxical effects, such as a counterintuitive increase of coal penetration in the European mix [e.g. Germany]! When the European economy will recover, our system will not be ready to towards a sustainable decarbonisation, and we can be sure that the objectives of sustainability and security of electricity supply will decouple.

3. Energy security

This leads me to the last core point: are we delivering on energy security?

It seems to me that most policy makers are extremely worried. On the electricity side, system adequacy stepped up on national political agendas and it clearly appears that actions are needed to readdress the current divestment trends in many markets and to cope with the integration of Renewables ensuring stability to the electricity system.

If we look to gas, we understand that in all projections it will remain a key component of the European energy mix, but policies remain sometimes conflicting. In our view, “Gas Europe” is well divided into two main playgrounds:

- i. The “**old Europe**” that is now well fairly well diversified and struggles for competitiveness of supplies. Figures tell us that we cannot hope to deliver on a stable and secure supply without relying on existing pipeline suppliers, but when it comes to diversification, LNG is now offering at the same time an opportunity and a significant benchmark: new gas import projects, including those prioritized by the Italian Energy Strategy, will have to match a more flexible, more liquid, more competitive outset of the gas industry, where the interests of producers and consumers will be more balanced;
- ii. “**new Europe**”, and the **Blakans** (and let me say our neighboring southern Mediterranean rim) have a very different situation. They ought to be improved in their energy security by new routes, new supplies and better interconnection. This can only truly happen by achieving cross—border and regional cooperation, and I am particularly happy that we could gather in this room some key players of this endeavor such as the Energy Charter Treaty, the Energy Community of South East Europe, and the Observatoire Mediterranen de l’Energie, which I was given the honor to chair.

When we address energy security we cannot refrain from looking at the US lesson. We shall not fear to take up the challenge of domestic energy investments. Europe, and Italy! Is full of domestic conventional resources for which we boast competencies, technologies and one of the most stringent regulation worldwide. Availability of domestic gas is not only a component of energy security, it is also a key requisite for a sustainable mid-term energy strategy. All this cannot be waived out, based on fear, ideology, prejudice, and I pledge the Italian National Energy Strategy well-grounded reasoning on that issue.

Still, a last core question should be whether we are or not going in the right direction. Let me say, that I believe that the only right direction would be to gain a fundamental and common understanding of the Energy Transition issue and of its trans-boundary nature.

I am happy and honored that distinguished colleagues from Italy, Germany, UK and my own France can now provide us with their perspective and that our colleagues from Brussels can help us in understanding which keywords should be required for these national policies to become truly convergent and draw the case for building a truly European energy policy.

This is the next big challenge, which will face soon important decisions regarding Market Integration, reshaping of Renewable policies and Climate Change.

None of these goals can be discussed, pursued, achieved at a national level alone, and I therefore believe that gathering all sorts of experiences, ideas, and food for thought from across all national borders is the only way to go.

I am eager to follow the debate and to discuss with our guests on their views for our common energy future.

Thank you. Grazie