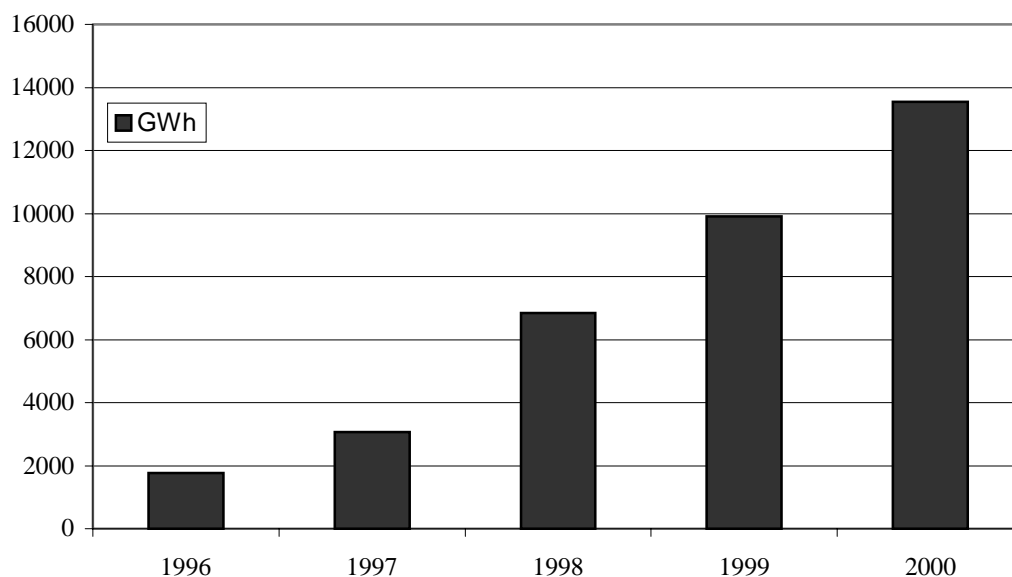


The Importation of Electricity into the EU

"Is it really in the interests of EU citizens and industry to import large quantities of electricity produced in dirty coal or unsafe nuclear power plants?" Claude Turmes, rapporteur of the electricity directive for the European Parliament

The importation of electricity into the European Union from countries that have lower environmental standards or that are not fulfilling the core labour (social) standards of the International Labour Organisation should be prohibited. Such prohibitions are in line with the reciprocity requirements of the EU's Electricity Market Directive and are necessary to protect Europe's environment and employment. Already Austria and Luxembourg are acting to prohibit the importation of electricity that is not produced according to EU standards and guidelines. The German Government has also emphasized on several occasions that the European Commission should find mechanisms to strengthen environmental considerations within the reciprocity requirements. Establishing criteria for importation of electricity should not be a protectionist measure but a measure to channel investments for exports into the EU electricity market for sustainable electricity. The EU and the countries of origin could mutually benefit from establishing common renewable generation e.g. in Morocco or Siberia. As the recent Doha negotiations on access to essential medicines show, the WTO rules are not written in stone but are evolving with the needs of society. The EU should therefore take a clear decision on quality requirements of imports of electricity to the EU energy market within the directive on market liberalisation.

Export of Electricity from CENTREL to UCTE Countries, 1996-2000



Source: UCTE annual report 2001 [Centrel countries are: Czech Republic, Hungary, Poland and Slovakia; UCTE, are mainly EU countries, without the UK and Ireland but including Switzerland and former Yugoslavia]

The European Parliament's response to the Commission's second report on the Liberalisation of the Electricity Market, June 2000, called for electricity imported into the EU to meet its environmental standards. Further measures are necessary to reduce the possibility of electricity being imported into the EU which has not been produced in power stations of similar standard, these measures include: -

- 1) The proposed Directive, Article 23a, calls for Member States to inform the Commission each year on the volume of electricity imported. However more stringent reporting can and should be required. National regulators monitor the volume of electricity imported, at least on a daily basis. Making this information available to the Commission on a monthly basis should be possible and will enable action to be taken in a timely fashion if necessary.
- 2) The same disclosure requirements for domestically produced electricity should be placed upon imported electricity.

Furthermore, introduction of a requirement for a license to supply electricity will also ensure that the same social and environmental requirements are applied to the import of electricity as is proposed for the construction of new power stations in the EU.

Such actions will both reduce the actual and potential environmental damage caused by electricity production in the exporting countries and reduce the negative impact on the functioning of a single electricity market. Although current electricity imports into the EU make up less than 10% of total consumption, the imports do have a localised impact and, of greater concern, there are many proposals to increase the volume of export. Already, the Western European grid (UCTE) is fully integrated into that of Central Europe (CENTREL) thus connecting Czech Republic, Hungary, Poland and Slovakia to the EU. As a result of this connection there is a clear trend of increasing export from these countries to the EU, with a seven-fold increase from around 2 TWh in 1996 to 15 TWh in 2000. Of all Accession countries, the Czech Republic supplies the most electricity to the EU, mainly to Germany. This trend is expected to increase significantly in the coming years, if the Temelin nuclear power plant goes into commercial electricity production. There is already approximately 25% over capacity in the Czech Republic, and Temelin's 2000 MW of additional capacity will add to this. This trend of increasing electricity export to the EU can also be seen in Bulgaria and Slovakia.

The export of electricity from countries such as Bulgaria, Lithuania and Slovakia is particularly problematic. In all these countries a significant part of their electricity supply, up to 80% in the case of Lithuania, comes from reactors which have been deemed unsafe and are required to close under the terms of EU accession agreements. Although closure agreements have been made with the countries concerned, the final shutdown of the facilities is far from guaranteed. Previous commitments to close the facilities have been ignored and the closure dates currently proposed are on average five years longer than was originally envisaged. The prolonged operation of these reactors is in part due to their Governments claiming that the reactors cannot be switched off as they are vital for national electricity supply. The increasing export of electricity from these countries undermines these claims but increases the economic incentive to continue their operation. If long term electricity supply agreements are signed by these countries it will once again undermine through economic incentives the most recent closure plans.

In other parts of Eastern Europe plans are being developed to connect with different parts of Europe's electricity network, for example the creation of a Baltic electricity network that would allow unrestricted movement of electricity between the countries surrounding the Baltic Sea. This would impact upon the operation of the Ignalina Nuclear Power plant in Lithuania, which is currently exporting electricity to the Baltic States, Belarus and Russia. Once completed the Baltic ring would allow the direct sale of electricity into the EU. Connections are being also proposed with other parts of the grid in the CIS, in particular in Ukraine.

The Russian grid operator, UES (Unified Energy Systems), is proposing a series of large-scale export projects, which if developed would result in very large quantities of electricity being imported into the EU. One of the most advanced is the East-West Power Bridge, which comprises the construction of a 4 000 MW cable to connect the Smolensk region in Russia to Thyrow in Germany, via Lithuania and Poland. If this were to occur it would link up some of the region's most dangerous nuclear reactors, the RMBK – Chernobyl style – reactors at Smolensk and Ignalina in Lithuania. Such a connection would once again be used as an economic argument to continue the reactors' operation, despite the recognized dangers that they pose.

In most cases in CEE and the CIS the export of electricity into the EU is made possible in part by the lower environmental and social standards of the generating facilities. This can particularly be seen in the coal and nuclear sectors, where even in CEE lower environmental standards are still prevalent despite the Accession requirements. Further east it is clear that environmental standards fall far below requirements for EU generators.

Programs such as the Trans-European Networks are allowing and even encouraging electricity exporters to benefit from loopholes and differences in environmental standards. As outlined above a number of proposals are being developed to increase electricity export from CEE and CIS into the EU. Before this occurs, clear and definite environmental and social requirements must be put in place that allow only the import of electricity into the EU from utilities or countries with all their facilities conforming to the EU's operational and environmental standards. The International Labour Organisation has developed guidelines in the form of Core Labour Standards, which could be used as a benchmark for social requirements.

Although there are some clear advantages in producing electricity locally there will always be regions in Europe which could be net exporters of electricity due to a concentration of renewable energy resources, such as hydro. To facilitate such exports transmission systems need to be maintained and built, however, this must only be done when environmental and social standards comply or fall in line with those in the EU. Member States and the Commission must take action to ensure that electricity produced in facilities with lower social and environmental standards than that required in the EU is not imported into it. They should take a proactive stance as proposed in the amendments proposed by the Parliamentary rapporteur.

This Briefing sheet has been prepared by the office of Claude Turmes, MEP, who is the Rapporteur for the European Parliament of the Directive on the Liberalisation of the Electricity Market. For more information contact: Tel. 32 2 2847246 or fax. 32 2 2849246 or visit <http://www.eu-energy.com/electricity>