

Electricity at the core of the Energy Roadmap 2050 Europe needs smart grids now - despite economic crisis

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T&D Europe has read with great interest the Energy Roadmap issued on 13th December by the European Commission, establishing seven scenarios towards the decarbonisation, by 2050, of the European energy system, with the goal of 80% reduction of greenhouse gases. T&D Europe welcomes this Roadmap on several grounds:

- It establishes long-term perspectives which are key in our sector: large investments in the European electricity grid date back to the 1970s and a new cycle of investments has to take place during this decade;
- Such investments require perspectives that go beyond the current 2020 energy goals;
- It considers Europe as the framework for an effective definition and implementation of an energy strategy, building on the EU Internal Energy Market which our industry sees as vital for the deployment of our technologies in Europe and worldwide.

Since, in all seven scenarios, electricity is forecast to quasi double its share of the energy demand from 22% to 36/39%, it is clear that massive investments on the electricity grid will have to occur, in particular in smart grids as a priority. Such investments can only happen in an integrated and flexible electricity market, attracting new types of long term investments together with a much better involvement of the public on large infrastructure projects.

The European T&D equipment and services industry is ready to deploy already existing smart technology solutions and is expecting, beyond its own efforts, the public authorities to devote larger parts of public funding to R&D, notably by properly funding the SET-Plan within the next Multiannual Financial Framework.

However, while Europe requires an in-depth upgrading of its electricity network, the current economic crisis is severely hitting the sector. On the occasion of its recent meeting, the Executive Committee of T&D Europe reviewed the economic situation in the electricity transmission and distribution equipment and services industry, and analysed the forecasts for 2012.

General growth forecasts indicate a GDP increase in the Euro zone in 2011 (+1.6%) and a small increase in 2012 (+0.2%), with a contrasted evolution in electricity demand forecast for 2011, e.g. positive in Italy or France, and negative in Spain.

With regards to the policy framework, the situation is characterised by growing uncertainties:

- Public investments are weakened by the need for public authorities to drastically reduce expenses, including a review/deferring of major investment plans in energy, and to review tax regimes, including those favourable to renewable energy;
- On the other hand, following the nuclear accident in Fukushima (Japan), several EU Member States have decided to gradually withdraw from the nuclear energy or discussing its reduction in the electricity mix, making it even more necessary to massively invest in the electricity grid.

Another trend noticed is the growing competition on the global markets, which European T&D technology suppliers have to continuously prepare for and adapt to.

In terms of domestic markets, Germany (2011) and, to a more limited extent, the United Kingdom (2012) and Spain (2012), expect growth for energy technology, whereas Italy (2012) or France (2012) foresee a zero-growth or a limited decline (depending on sub-sectors), due to lack of visibility.

Some countries expect investments to continue in energy infrastructures (off shore wind in Germany, the United Kingdom, Belgium or France, storage systems in Italy, HV infrastructures in the Netherlands), whereas Portugal strongly reduced all investments for the next couple of years, also due to discussions on the privatization of energy infrastructures.

Commenting on the discussion and the Roadmap, the President of T&D Europe Ralf Christian said: *“Investments in the electricity network are more than ever needed and should also focus on the quality and reliability of the electricity networks. What we need now in Europe are concrete smart grid projects.”*