

## Promoting competition and energy security in Europe

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*Europeans need a true single market for energy*

The success of the internal market for products can and should be repeated for energy. Natural barriers to market entry in terms of infrastructure can be overcome by private and/ or public investment if proper returns on investment are allowed. At the same time, it is artificial barriers to entry – from environmental regulation to the unwillingness of incumbent players to embrace competition – which constitute the main obstacle to development of a true European energy market.

Experience from the internal market for other types of products shows that EU action in removing artificial barriers and regulations is the most effective and efficient form of government action. There should be an increased focus on monitoring, identifying, criticizing and removing regulations that hamper competition in all energy sectors. State-owned energy companies should face particular scrutiny, as they are usually the worst offenders of competition, combining size, incumbent market power, and tacit favorable regulation from national governments.

*High energy prices hurt European consumers and businesses*

The EU is already a world leader in environmental protection and CO<sub>2</sub> emissions reductions. Further unilateral action by the Union to reduce CO<sub>2</sub> emissions would have a very limited effect on climate change, while exacting a high cost on European consumers and enterprises.

Financial support schemes (e.g. feed-in-tariffs) have fostered a remarkable increase in the capacity for and production of renewable energy. Yet costs to consumers have grown apace. In order to reduce retail energy prices, renewable energy from existing and new installations has to be subjected to market pressures and competition.

The issue of taxation also deserves mention. Member States levy heavy taxes on energy, yet this has not led to a decoupling of economic growth from energy consumption. Moreover, direct and indirect levies on energy severely hamper the competitiveness of European businesses vis-à-vis their competitors in North America and Asia.

*Europe needs its own shale gas revolution*

The 'shale gas revolution' in the USA clearly demonstrates the enormous benefits that fracking can bring. The exploitation of existing shale gas reserves in Europe would lead to substantial economic benefits including, possibly, reduced prices for consumers and businesses and financial gains to governments. Shale gas has the potential to increase competition in energy markets and to improve energy security across the EU. Removing impediments to the development of these resources should thus be at the top of the European Commission's agenda.

With fracking as with other technologies, environmental and safety concerns certainly have to be addressed. However, regulation has to be proportionate and comparable to the standards applied to other industrial sectors. If Europe continues using natural gas there is no reason to impose unreasonably stringent regulations (which can amount to a *de facto* ban) on certain methods for its extraction. If there is an initiative for the EU-wide regulation of fracking, it should establish a clear, fair and non-discriminatory framework for shale gas to compete in the energy market, not make fracking economically unviable in the EU. This would only undermine competition and energy security across the continent, and Europe can ill-afford that.

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### **Further reading:**

LFMI response paper: Consultation on a 2030 framework for climate and energy policies, European Commission, 2013. <http://en.llri.lt/news/economic-policy/environment/liberal-voices-response-to-ec-public-consultation-on-the-2030-framework-for-climate-and-energy-policies/lrinka>

LFMI response paper: Consultation on unconventional fossil fuels (e.g. shale gas) in Europe, European Commission, 2012. <http://en.llri.lt/news/economic-policy/energy/liberal-voices-a-response-to-the-ec-public-consultation-on-unconventional-fossil-fuels-in-europe/lrinka>

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