

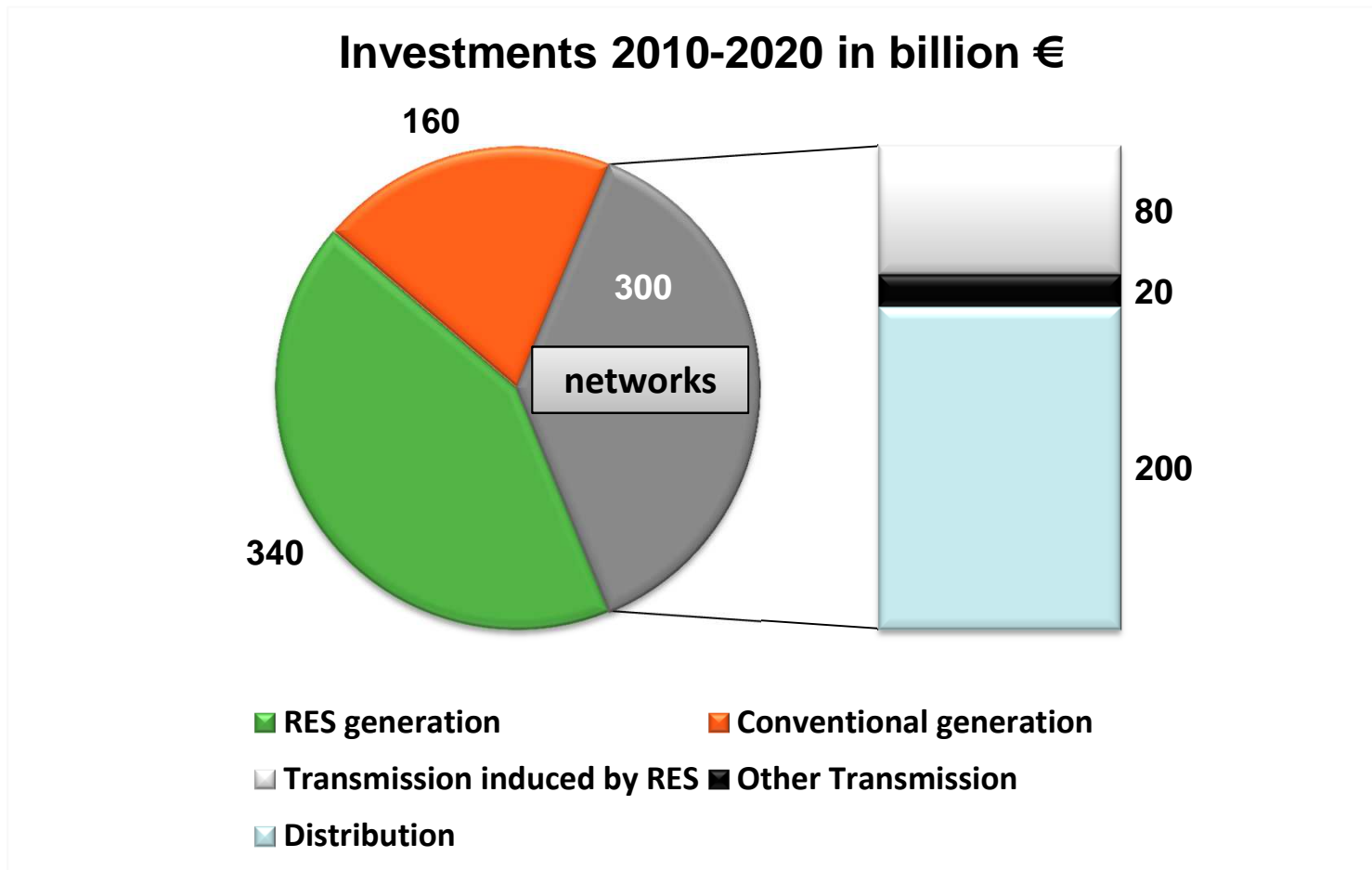


HOW CAN WE RESTORE SOUND INVESTMENT SIGNALS?

Energy Transition Seminar

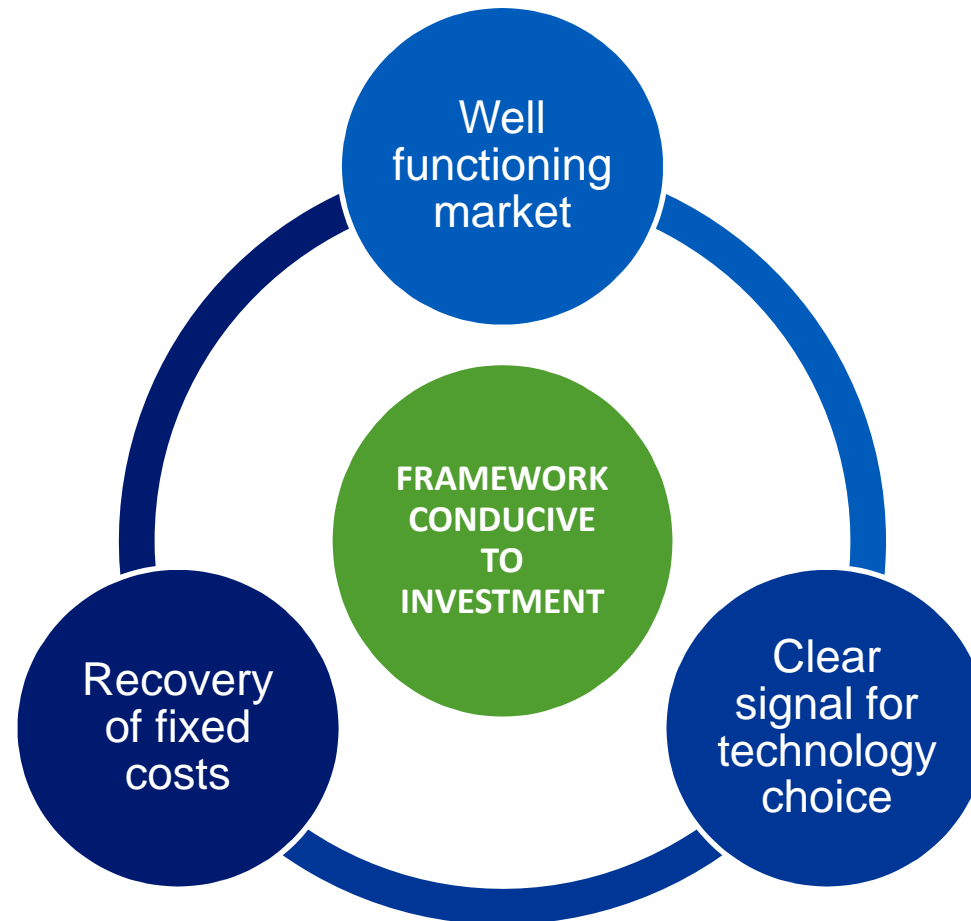
Michel Matheu, EDF, June 11th 2014

BOTH GENERATION AND NETWORKS WILL REQUIRE HUGE INVESTMENTS



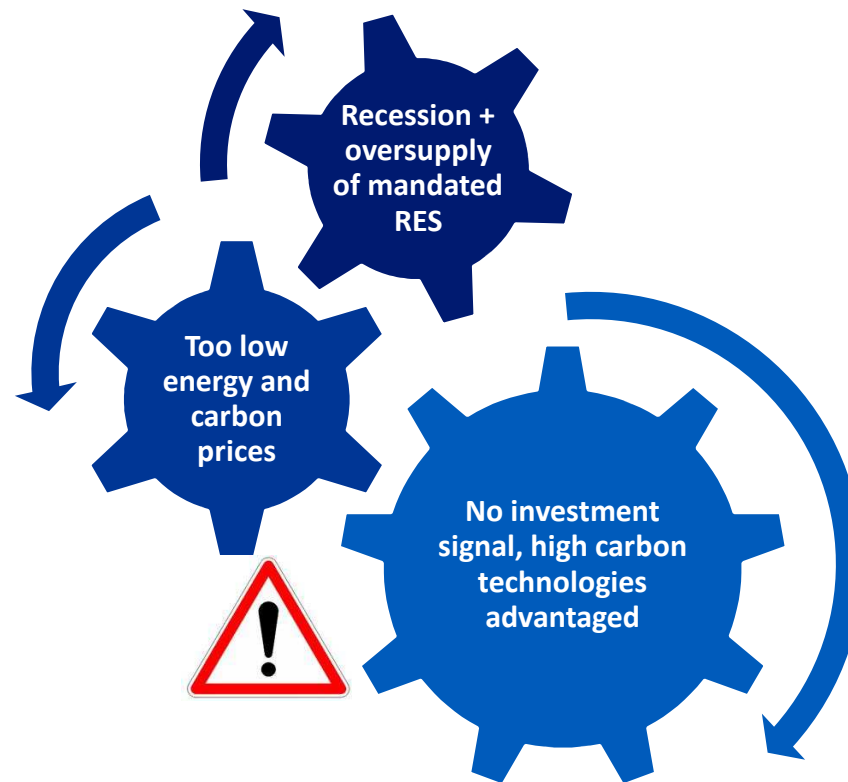
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WHICH FRAMEWORK FOR SOUND SIGNALS?



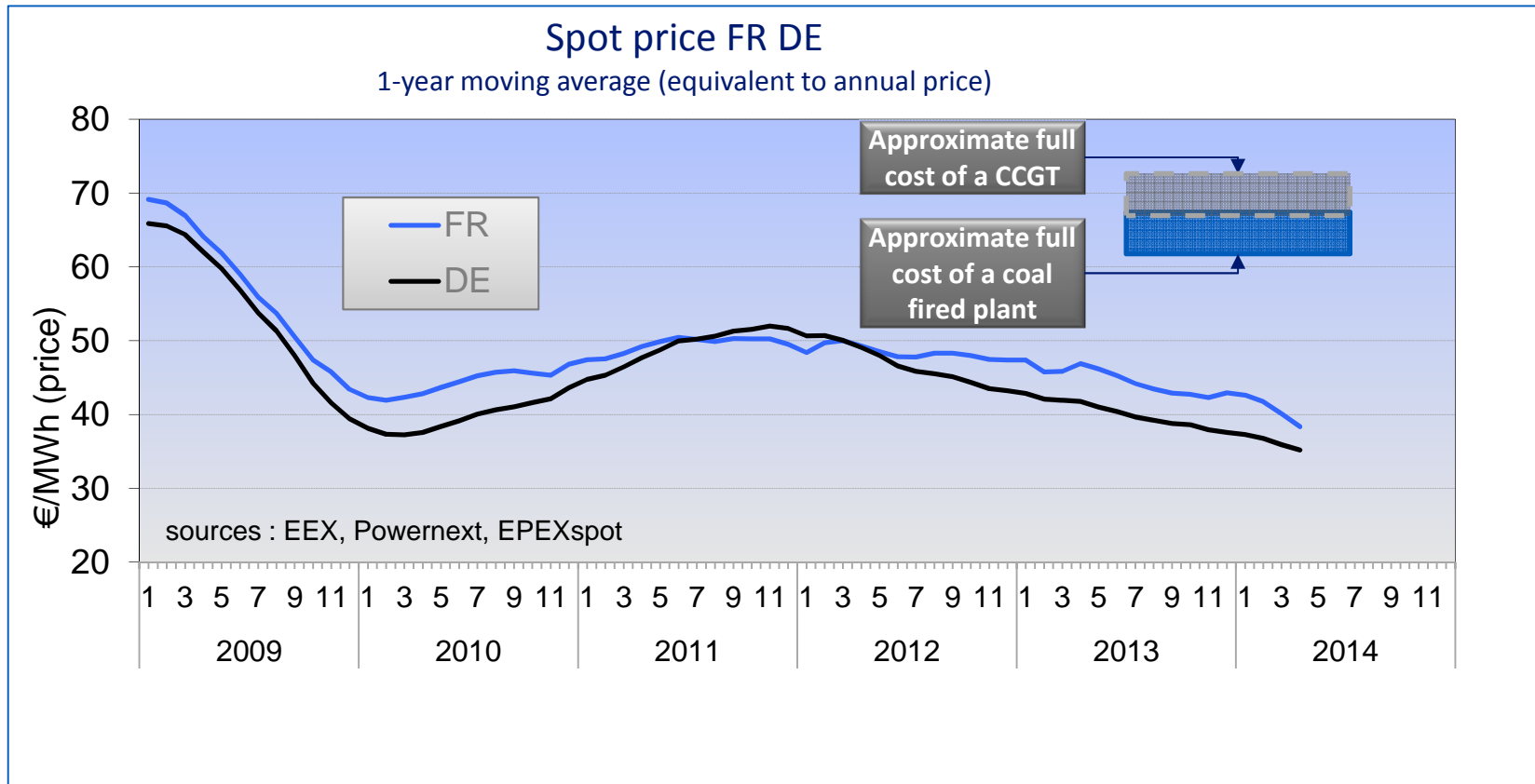
- What the industry needs is a stable framework
- When it was expected, some time ago, heavy investments were deemed possible

THE CURRENT SITUATION IS FAR AWAY FROM SUCH A TARGET



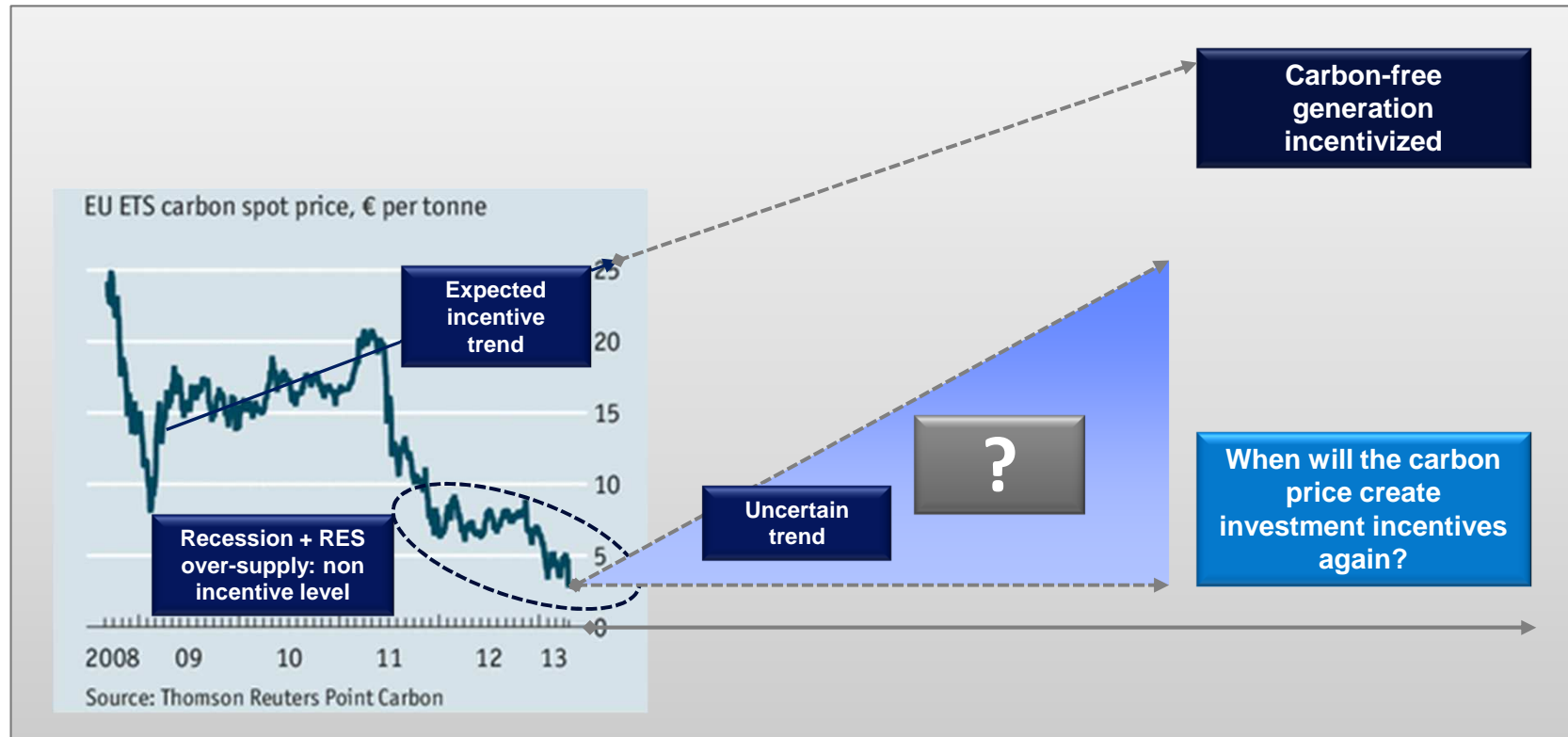
It is difficult to break the vicious circle generated by mandated over-supply

PROBLEM N°1: WHOLESALE PRICES ARE FAR TOO LOW



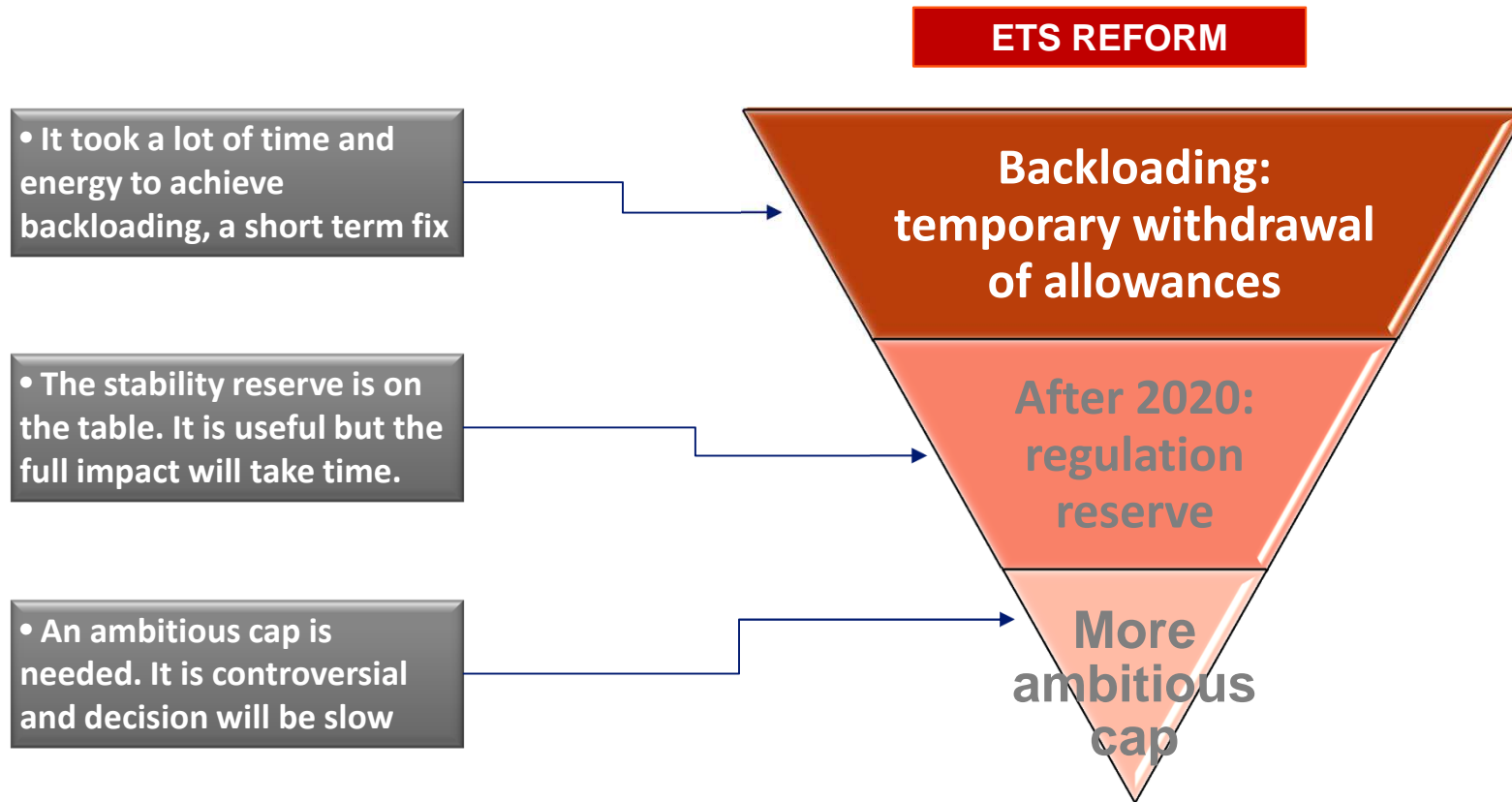
Market prices are now significantly below full costs of the cheapest conventional technology

PROBLEM N°2 : THE ETS FACES A DEEP CRISIS...

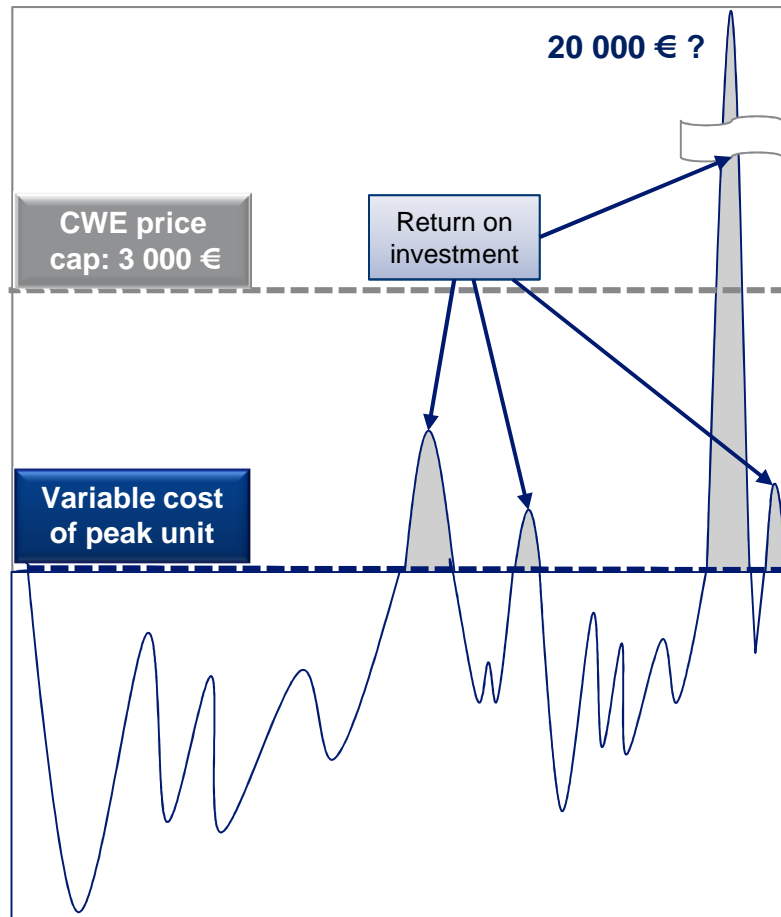


The structural reform of the ETS is a pre-requisite

...WHICH MIGHT LAST FOR SOME TIME



PROBLEM N°3: ENERGY ONLY MARKETS CANNOT DO THE JOB

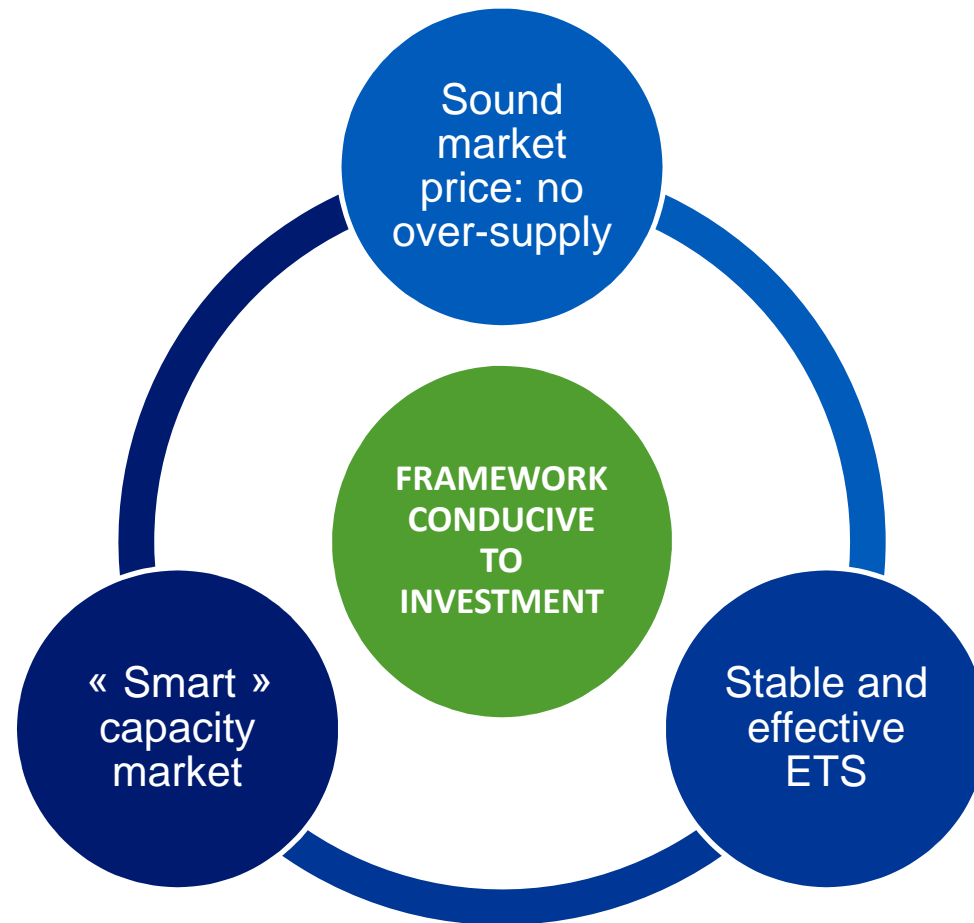


You would need extreme price spikes which are not well accepted, even if not perceived by most customers...

...and anyway the financial risk (very low probability – very high price) is not manageable

Intermittent generation just makes things worse because of extreme unpredictability

SO, WHAT NEXT?



•To preserve competitiveness: ETS reform, RES volume control, flexible governance, well designed capacity markets

THANK YOU