

CEER draft advice on the introduction of a Europe-wide energy wholesale trading passport

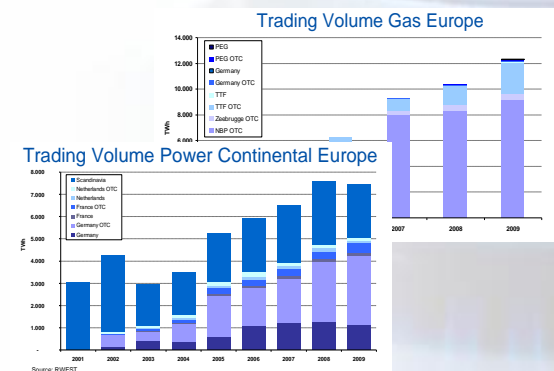
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- Background
- Current situation
- Way forward
 - Principles for a European approach
 - Implementation options
 - Requirements and administrative standards
- Conclusions

- Trading with **electricity** and **gas** has become a **strategic pillar** of energy supply
- Goal is the creation of a **Single European Market for Electricity and Gas by 2014**
 - To **control and hedge risks** in more and more volatile markets;
 - To **integrate renewables** in classical systems of supply and to keep them affordable;
 - To ensure an adequate and **competitive price level** for energy supply.



Honest trading needs honest traders!

- Increase of energy trading creates "**new**" risks for market integrity (market abuse, insider trading, VAT fraud).
- The **current regulatory framework** on European and national level is fragmented
 - This results in different access regimes for traders and partly (unjustified) **market entry** barriers for **wholesale traders** and **only partly addresses the existing risks!**
 - It presents an **obstacle** on the way towards a true pan-European energy market.



→ **Need to reform the legal framework for Energy Trading**

Background

How can we improve rules and competences?

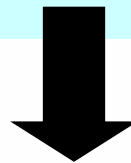
Key Topics

Key Topic 1: Rules and supervision of energy trading (REMIT)

- Financial and energy market legislation needs to become effective and fully compatible

Key Topic 2: Non-discriminatory access to market places

- Crucial **complementary** or **integral** element of REMIT



Orientations by CEER

On the request of the Commission CEER has studied the need to harmonise licensing regimes on „**Wholesale Energy trading**“.

Goals:

- **To analyse the current situation** in Member States; and
- **To give recommendations if harmonisation is needed** in order to
 - Ensure a **level playing field** for energy trading; but
 - **Avoid unnecessary barriers** to market entry.



Multitude of trading licenses – no harmonisation



High burdens for obtaining a license in some countries

- Requirement of a **branch office**;
- **Costly license fees** for trading companies;
- High **collateral requirements**, high **bureaucratic cost** for obtaining a trading license (also indirect costs such as translations etc.);
- **Lengthy processes** until a license gets issued and a market participant may become active.

Non-harmonised national licensing regimes...

- ...create **unnecessary costs** and high market **entry barriers** for wholesale traders;
- ...**negatively impact** the effectiveness of the **supervision** capabilities of authorities!



Obstacle on the way towards a true pan-European energy market

Way forward – Guiding principals for a European approach

What needs to be achieved...

- Level playing field
- Appropriate level of checks
- Identify all market participants
- Avoid unnecessary bureaucracy



















Which option fits best?



Available Options

- 1) **Continue with the status quo** and not introduce any changes
- 2) **Extend the existing MiFID** (Markets in Financial Instruments Directive) **passport** to electricity and gas trading
- 3) Set certain **minimum and maximum requirements for national licensing regimes**
- 4) Introduce a **Europe-wide Energy Wholesale Trading Passport**

Way forward – Assessment of options

	Continue with status quo	MiFID extension	Max/Min requirements	Europe-wide Energy Wholesale Trading Passport
Level playing field				
Appropriate level of checks				
Identify all market participants				
Avoid unnecessary bureaucracy				

Way forward – Passport approach

Introduction of a “Europe-wide Energy Wholesale Trading Passport” is the best approach

- To cover **electricity and gas wholesale trading** (not supply!)
- To be valid to trade in **all EEA countries replacing existing national licensing regimes**
- Allocation of the passport and supervision to be executed by energy regulatory authority in **its home country**
- Not to replace or change any PX or TSO access arrangements



Way forward – Passport approach

Benefits of the passport approach

- Significant **reduction of bureaucracy** – Set up a **level playing field**
 - **“One-stop-shop” for traders**: surveillance of compliance with license **only** by home country authority

- Oversight in the EU improved
 - **All** traders in **all** EEA countries are registered;
 - Collateral benefits e.g. in the **fight against VAT fraud**.

Way forward – Requirements and administrative standards

Passport should ensure a minimum “safety net” with a definitive set of requirements to ensure that background and character of all trading companies is known:

- **Registration:** Company contact details, Board of directors, fields and countries of activity, ultimate ownership;
- **Check** of the criminal record of management, verify existence of the legal entity;
- **Compliance** declaration;
- **Proof** of the **technical, financial** and **organisational** capacity to fulfil all energy **regulatory guidelines**.

Way forward – Requirements and administrative standards

- Each trading company **will need to apply only in one EU Member State** and could then **use this passport on all European wholesale energy markets**;
- If there is a **fee** for obtaining a trading license this should be **cost-based**;
- The **maximum duration** of the application procedure and the application procedure itself should be **Europe-wide standardised** and not exceed an adequate period of time.

Way forward – Requirements and administrative standards

Not to be required:

- Provisions related to Security of Supply;
- Specifying or requesting collaterals;
- Checking the economic success of applicants;
- Branch offices in host countries;
- National transaction reporting mechanisms as this shall be resolved via REMIT;
- ▶ Trading passport should not apply to companies in the scope of MiFID.



The choices are:

- **Adequate and harmonised** requirements in **all** Member States, creating a **level playing field**
- OR
- **Continuation** of **29** different and partly very bureaucratic and burdensome national regimes

CEER recommends the Passport approach as a Schengen agreement for free wholesale energy trading!

- Harmonisation of licensing regimes is one key element of improvement on the way to a well functioning Single European Energy Market
- A Europe wide valid trading passport can be the tool to combine the benefits of reducing the bureaucratic burdens and improving market integrity



The background of the slide is a light blue gradient with a faint image of a power transmission tower on the left and a gas burner with blue flames on the right.

Thank you for your attention!

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