

# A Europe-wide Energy Wholesale Trading Passport EFET view

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## Topics

- Licensing across the European Union
- Major considerations
- Harmonisation
- National licensing regimes and requirements
- Simple administrative requirements

- There is mixed picture from EU Countries
- Some Member States have licensing regimes in place for energy trading, often related to burdensome requirements (reporting, fees, branch office,...)
- Other Member States do not have licensing regimes in place



# Energy Wholesale Trading Passport?

## Major considerations



- **Identification:** EFET supports that market participants should be known to Regulators
- **Harmonisation:** there should not be different regimes across Europe to be able to trade energy
- **No duplication:** a European Energy Trading Passport is useful if it **replaces** national licensing regimes and related requirements
- **Simple process:** administrative requirements should be kept at minimum level and the process should be clear and simple



- Experience shows that license requirements for energy wholesale markets are **questionable**
- Some European countries deem a license for energy trading as **indispensable**, but there is not a common view
- A number of **initiatives** to limit the burden of national requirements have brought little progress
- Several countries have **increased** bureaucratic barriers for energy trading

A European energy trading passport can ensure a **harmonised** approach

- The reporting activity only based on **harmonised** provisions at European level (e.g. REMIT)
- No additional **national reporting** obligations to report transactions/statement of accounts or maintain records
  - No separate reporting/statement of account for transactions “in” host country
  - No national methodologies for “separated book-keeping” or national rules on the “allocation of revenues and expenses”
  - No different national activity reports in host Member States
- The exchange of information between national regulatory authorities should be ensured through ACER or bilateral cooperation

- A European regime should clearly spell out the rights of the holder of the passport
  - National Market barriers are often created by the licensing process itself
  - Additional effects are created by on-going license obligations
- Additional national licensing requirements should not be imposed

It is crucial that the license regime clearly stipulates which measures host countries may not take.

“Nothing more than this”

- No requirement to have a **branch office**
- No **regulation fees** (one-time or recurring) in host countries
  - License fees can only be levied by the home regulator (based on the cost of the licensing process, not the turnover).
- No **exams for trading personnel** can be required
- Need to distinguish between wholesale and retail: no **supply-related requirements** to pure wholesale market participants
  - e.g. requirement to setting up customer call centres
  - metering stations
  - publishing general terms and conditions for the supply of end-customers
- No **in- and exports (network) fees** for cross-border transactions



# A simple process

Requirements that should be complied with



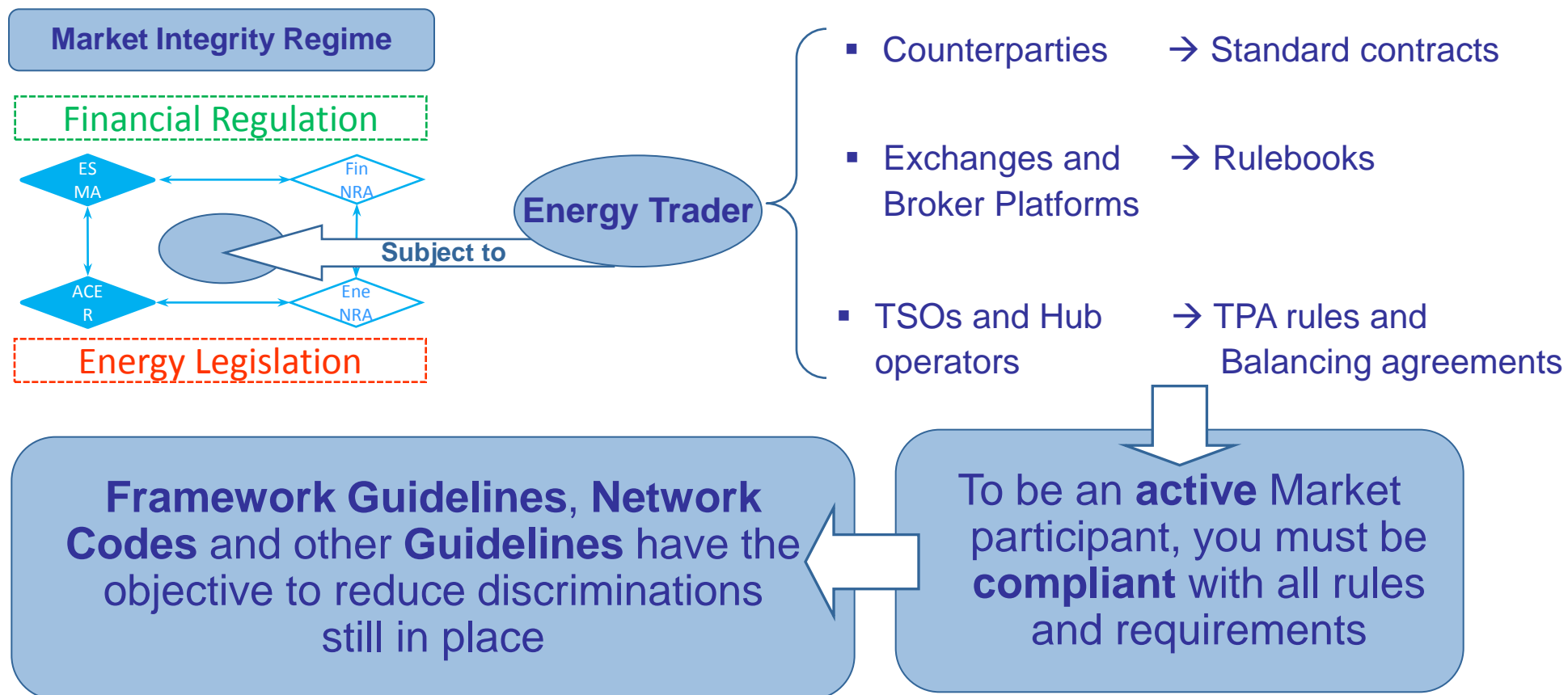
- **Exclusive competence by home regulator**
  - Only home regulator can issue and withdraw the passport
  - Only home regulator can sanction the energy trading firm for violations related to the passport regime
  
- **Limited checks**
  - Verification of existence of the legal entity
  - Check that board members have a clean criminal record
  - Markets and Countries in which the Market participant is active
  - In case applicants are required to demonstrate the capability to fulfil regulatory duties, these must be based on concrete requirements e.g. designating a regulatory compliance officer

It should not be the purpose of a license process to check a trader's potential of economic success

# A simple process

Requirements that should **not** be considered

- Licensing requirements on **technical, financial** and **organisational** ability to participate in markets are inappropriate



## An Energy Trading passport should

- Ensure a balanced approach and harmonisation across EU
- Avoid duplication and replace national approaches
- Be based on simple and appropriate requirements
- Take account of many issues not yet discussed
  - Process (release, withdraw, penalties,..)
  - Non EU based traders
  - Applicability to the Carbon market

# Thanks for your attention

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