



6th World Forum on Energy Regulation

SMART REGULATION FOR ENERGY SECTOR CHALLENGES

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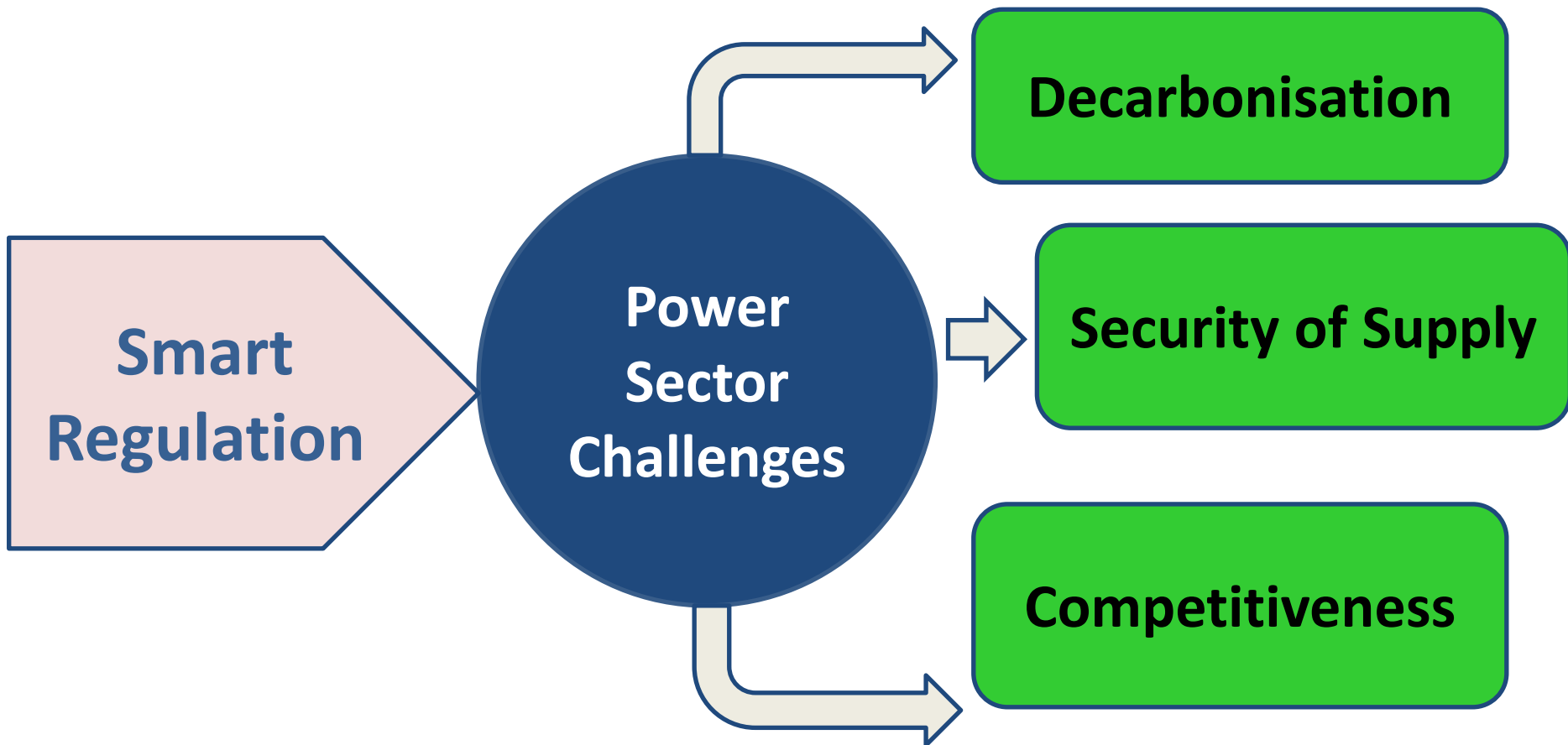


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CHAIR OF ENERGY SUSTAINABILITY





What is Smart regulation?



Smart regulation is not a form of regulation it is a method to regulate

Smart Regulatory Design Principles

Preference for a mix of policies, tools and institutions

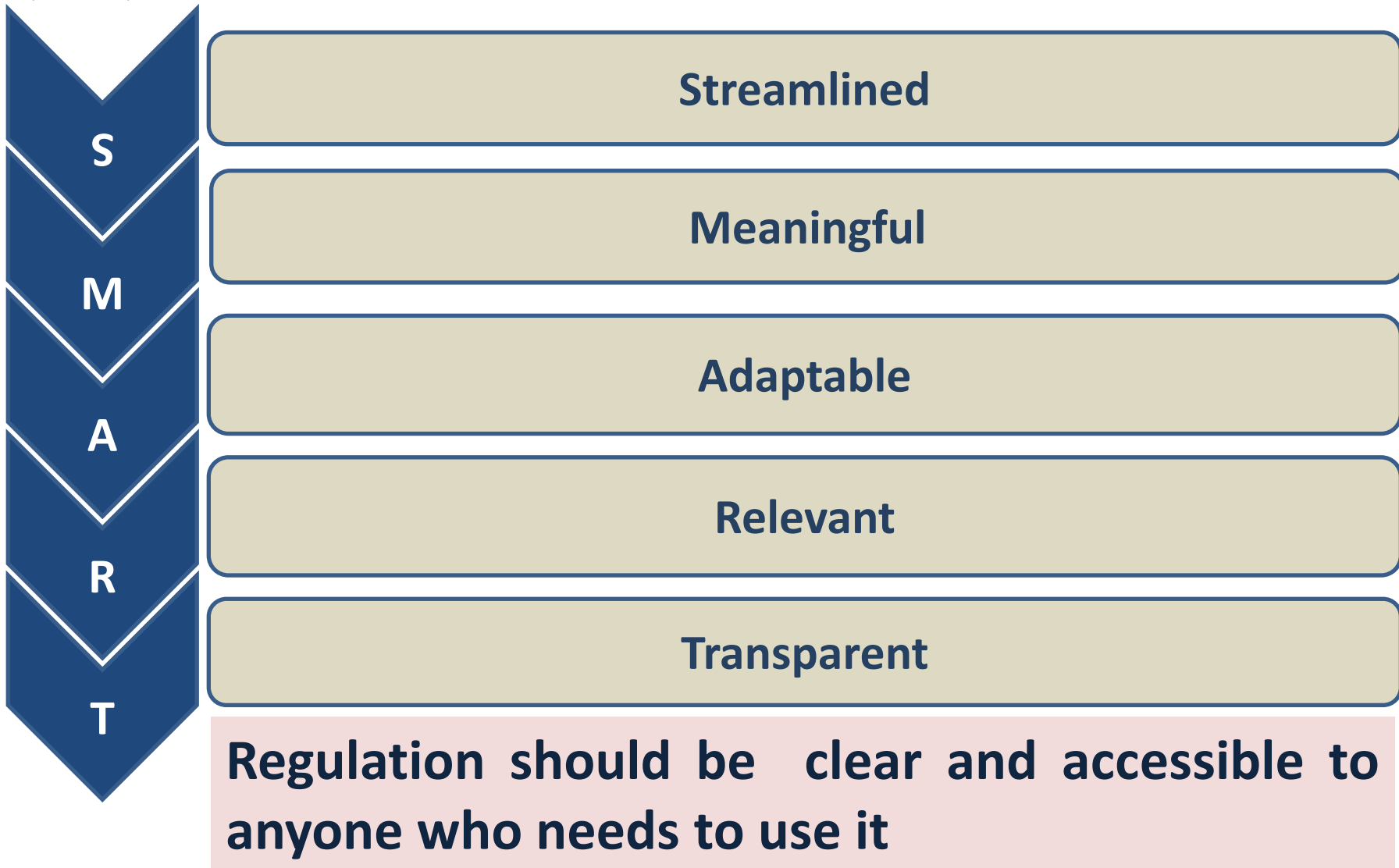
Low-key flexible regulation

Gradual response mechanism

Empowerment of stakeholders

Encouraging companies to embrace self regulation

SMART REGULATION: MAIN FEATURES



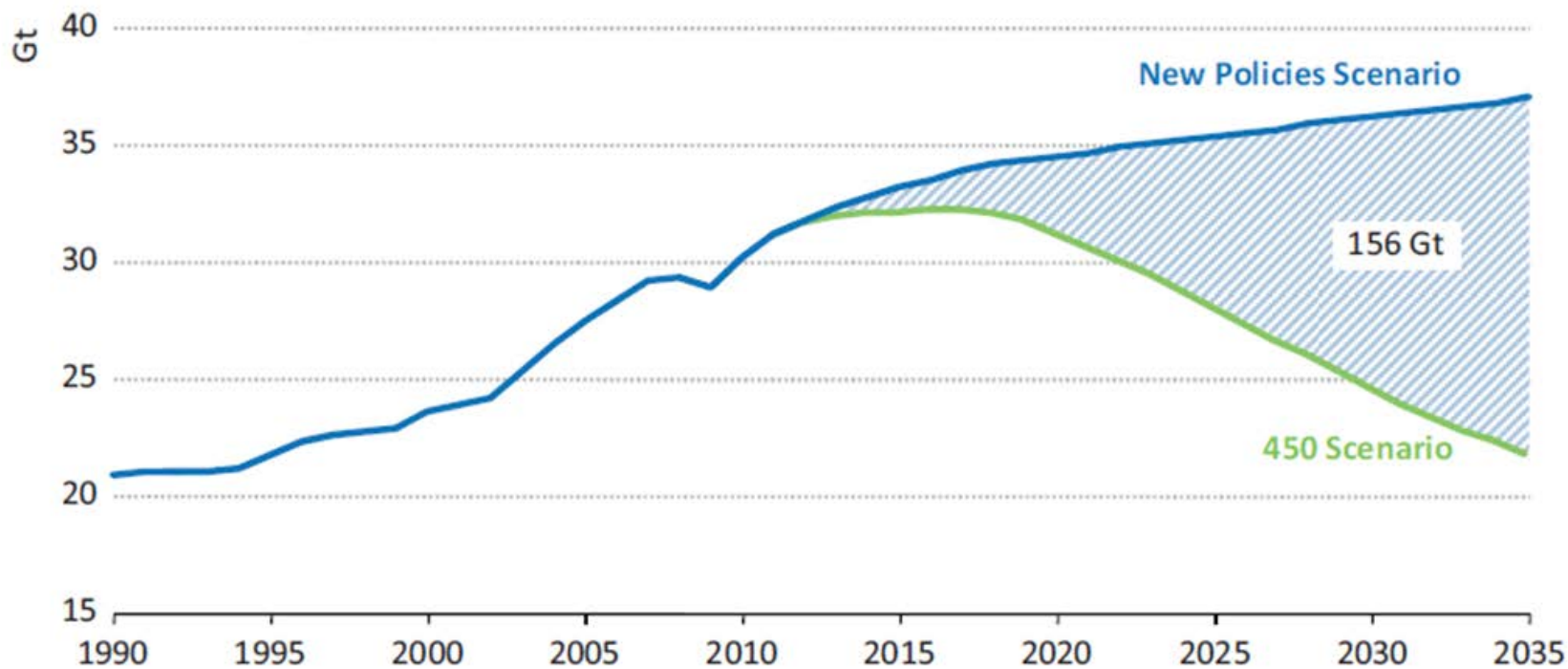
Two questions arise:

How can this approach meet energy sector challenges?

What are the main challenges in the power sector that a smart regulatory approach can help to meet?

World Energy-Related CO2 Emissions

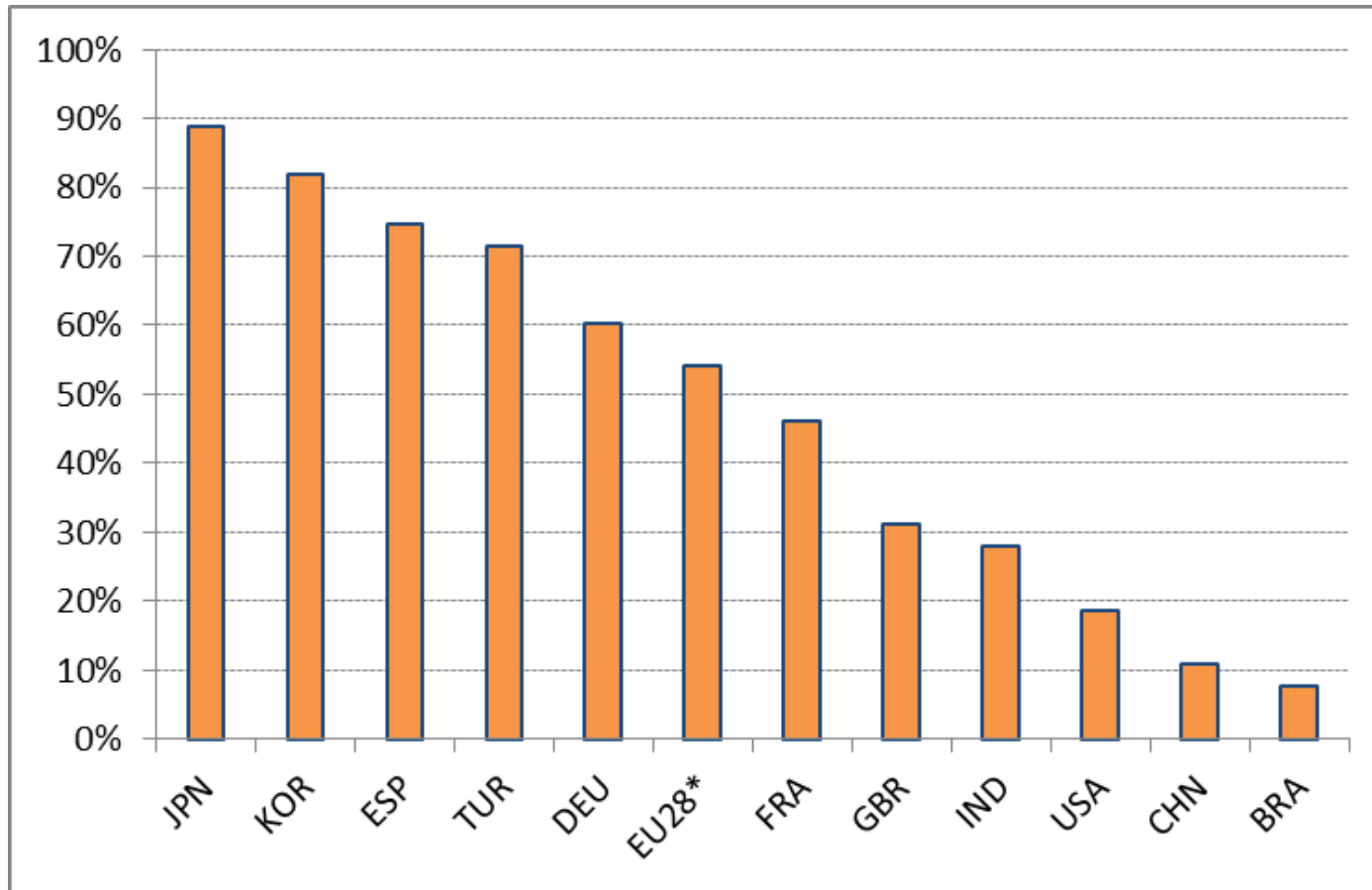
World Power Sector emissions reduction is central in order to achieve the 2 degree scenario by the IEA.



Source: IEA (2013). Redrawing the Energy Climate Map

Energy dependence 2011

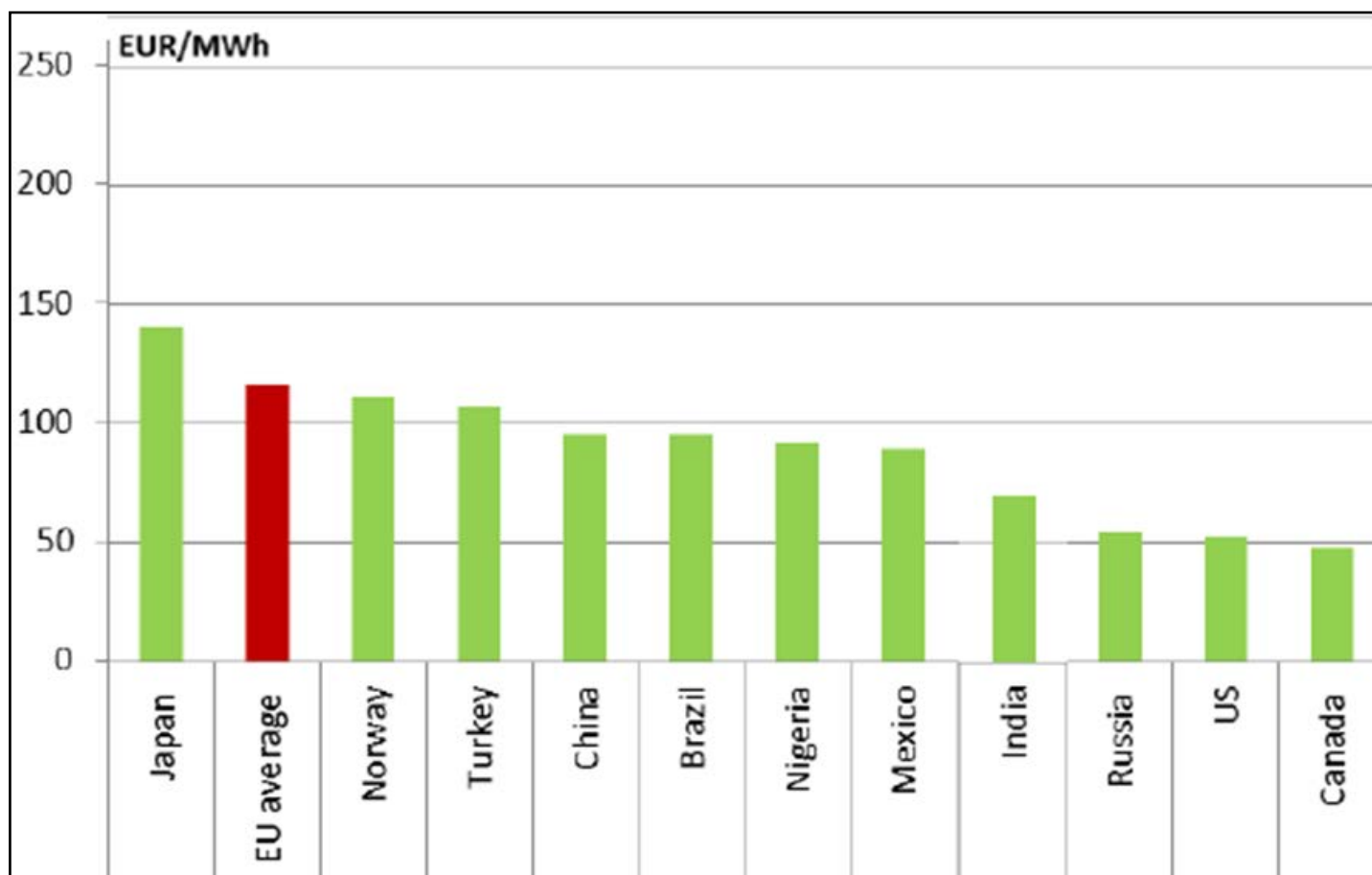
(Energy imports in % of energy use)



Energy dependence puts at risk energy security in Europe, Japan, Turkey and Korea

Retail electricity prices 2012 - Industrial consumers

High industrial energy prices affect competitiveness...



Source: EC (2014) Commission Staff WD. Energy Prices and Cost Report. SWD (2014) 21 Final/2

How can these three
challenges be met through
smart regulation?

Smart regulation is expected to play a key role in the future development of the instruments that will help to meet the Power Sector Challenges

**Competition through Energy Market
Integration**

Empowering stakeholders

Consumers in the driving seat

Energy Market Integration

- Increase competition
- Lower prices
- Regulatory Harmonization

Empowerment Stakeholders

- **Transparency: public consultation**
- **Agents need to be involved in the regulation processes**
- **Complete information**

Consumers Participation

In the driving seat of regulation:

Participation in electricity markets



Flexibility



Demand Side Response

Self-Regulation

Smart Regulation involves regulated companies embracing the objectives set by themselves

Examples of Self-Regulatory Mechanisms:

- **Enlightened self-interest**
- **Customer/Supplier requirements**
- **Third-party certification and management systems**
- **Sectorial guidelines**
- **Self-interest augmented by government incentives**

Self-Regulation

Recent empirical study Costa-Campi et al. (2015) on energy efficiency determinants has pointed out in regard to self-regulation:

Self-Regulation can be supported by smart regulation measures

Regulation has a multiplier effect on the actions companies set out on the way to accomplish that regulation (Self-regulatory actions)

This is valued by smart investors

Conclusions

The energy sector is facing important challenges (Decarbonisation, Security of Supply and Industrial Competitiveness) :
Smart regulation should help to meet them

- To ensure a predictable regulatory framework through transparency and empowerment of agents and consumers.
- To keep legislation low-key to avoid overlaps
- To consider the impact on the cost of energy, on economic growth and job creation.
- To motivate self-regulation

Smart Regulation should be the path chosen by policy makers and regulatory bodies...

...to enhance the performance of the energy sector and help achieve the important objectives set for it.

Thank you for your attention

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