

Can France Be Europe's Provider of Electricity?

by Emmanuel Grenier

Numerous European countries rely on France as a source of electricity. Still a net importer of electricity until the end of the 1970's, France has progressively gained its energy independence thanks to its ambitious nuclear program, which provides, today, for 75% of its electricity. Since 1980, France has been exporting ever more relatively cheap energy to its neighbors.

The recent Italian misfortune (see article above) should be a warning: The reduction of the French supply of 800 Megawatts-electric (MWe) to Italy, combined with the high demand of air conditioning units functioning at full capacity due to the extremely hot weather, led to inevitable brownouts. The president of Electricité de France (EDF), Francois Rousely, indicated that in conformity with agreements, "the Italian distributor was well informed, at least 48 hours in advance, that exports would be reduced." He also denied the allegation that EDF had made the decision to sell the missing Italian 800 MWe on German markets at a better price.

In spite of this incident, is it really wise for an industrial country like Italy to import 17% of its electricity? And is it realistic to depend on low-cost nuclear electricity provisions coming from France? A rapid survey will show that this is not the case.

Europe Lacks Electricity for Recovery

Everywhere in Europe, the process of economic "liberalization" and deregulation has brought about cost reduction measures by corporate groups who are unwilling to invest in new infrastructure of electricity production and distribution, even when it is necessary, as in Norway, in Spain, or in Italy. Today, the European market for electricity is holding steady merely because of the extreme situation of de-industrialization in Eastern Europe, and the economic crisis (which has reduced the consumption of electricity).

However, the surpluses of the 1990-2000 are beginning to shrink at great speed. And the situation would rapidly become untenable, and would have to be changed, if we were to apply an economic recovery like the one proposed by American economist and Presidential candidate Lyndon LaRouche: his Eurasian Land-Bridge program.

Even France, on which a lot of her neighbors depend as the provider of last resort, is not exempt from a shortfall, since the deregulation policy, although delayed, has also reached France. Ever since the liberalization of energy mar-

kets, following two European Community directives, the French market of electricity has certainly been opened up to competition.

On July 3, the Regulatory Commission on Energy announced that, since the market for eligible industrial customers of bulk electricity was “liberalized,” competitors of EDF had taken one-quarter of the open market. The president of EDF, Jean Syrota, explained that 37% of the electricity market for industrial customers was “open,” and more than 350 eligible industrial sites out of 3,100 had changed their electricity providers. As of July 1, 2004, a total of 530,000 business and professional customers will be able to choose from among the 50 active market providers. This opening will involve, then, more than 3.5 million sites across France. And by 2007, the market will have become totally open: Private households—30 million consumers—will also be able to choose their own provider.

As of now, the process of deregulation is still far from having brought its poisoned fruits into the French system, because of the delays in applying the directives. However, countries like Norway or Italy have already gotten a taste of the poison made most infamous by the U.S. state of California: delays in infrastructure investment in production and transport; very short term vision; non-insured supply security; and so forth.

Toward Privatization of EDF

Things could change very rapidly, especially with the *privatization* of EDF. During a debate on the no-confidence motion introduced by the Socialist Party on July 2, Prime Minister Jean-Pierre Raffarin declared before the National Assembly that the statutes of EDF and of Gaz de France (GDF), which were both nationalized after World War II, could soon be “adapted” in order to safeguard their “development . . . which would permit opening up their capitalization. EDF and GDF are world champions, and we want this to continue. I expect of them that they define industrial projects which will permit their development.”

As for industrial projects, the EDF has been, on the contrary, just gobbling up smaller companies, like the case of Vivendi and Jean-Marie Messier.

The privatization policy of the directors of EDF and of European Commission and government representatives are based in the following three points:

- In order to avoid the sector regrouping that deregulation would produce, the directors of EDF have tremendously ac-



France's reliable, large-scale nationwide supply of nuclear power (here, two generations of reactors at Chinon) has made it a provider of surplus electricity to other, nucleo-phobic European countries. But in France, too, steps toward deregulation have caused "acquisitions" to replace investments and surplus to shrink. One effect: the Italian national blackout crisis of late June.

celerated the international expansion of the company. In Western Europe, the stated objective is to dominate the monopolization which will result from the intensified competition" under deregulation. In the rest of the world—primarily in Latin America—the company has bought about 20 billion euros of assets over the last five years.

- After this extraordinary development, the argument was made that the public ownership of EDF would represent a strategic obstacle to expansion. This supposedly was creating a scandalous asymmetry: “The EDF can buy private operators, but not the other way around.” According to this fantastic idea, “since EDF is a public enterprise, it would be left out of any essential reorganization, and then progressively isolated, and left to die.” (!)

- It is claimed that EDF lacks the funds necessary for development.

- Partial privatization is therefore presented as a vital

necessity, in order to resolve the two preceding problems—international expansion, and the need for financing.

But a high-level group of representatives of EDF, calling itself Jean-Marcel Moulin, (a reference to the French Resistance hero killed by Klaus Barbie), has published a very well-formulated refutation of this entire policy.

The Reality of European Electricity Market

Contrary to what the directors of the European Commission claim, this group bases its arguments on an intimate knowledge of the world of electricity production, and asserts that this is not a commercial product like all the others. The privateers, especially in the French Ministry of Energy, maintain their march forward toward complete deregulation of energy, despite the recognized failures of this policy throughout the entire world.

According to the “Moulin” group, “The quick and massive internationalization, via financial acquisitions, is not a strategic necessity for EDF.” There will surely be processes of concentration within the framework of competition, they note, but this industrial reorganization will be slow, because concentration is already very high in most of the countries’ electricity industries, and publicly controlled energy is still a strong reality.

Furthermore, within the European Union, the economically integrated field of electricity is in fact, extremely limited. Germany, France, Benelux, and Northern Switzerland—the continental plate—show a homogeneity of prices. Otherwise, Italy, Spain, Portugal, and Great Britain are three peninsulas, which will continue to have disconnected prices from this “continental plate” for a long time yet to come. A certain form of competition on the retail electricity market is already a *fait accompli*.

The electricity interconnections between this continental plate and the three peninsulas are very limited, and this has a good chance of remaining so for quite a while, given the difficulty of constructing transport lines, and given the fact that the Franco-Spanish projects have a lot of difficulties in moving ahead. This is what the “Moulin” group is basing its argument upon, to repudiate the strategy of EDF’s privateers.

“From this angle, it could make sense for EDF to acquire part of Energie Baden-Württemberg, provided it succeeds, if the objective is to become part of the reorganization of the oligopoly of production in that country, where two very big operators dominate, RWE and EON. On the contrary, taking over London Electricity (5 billion euros) or the unfortunate excursion into Italy with Edison (at least 2 billion euros) are just as strategically useless as financially expensive, and they are not even located on the ‘continental plate.’ ”

Obviously, what is valid for Europe is even more so for the rest of the world: there exists no world market for electricity, so there is no strategic necessity to conquer some notable position outside of Europe. “On the other hand,” says the “Moulin” group, “there exist great responsibilities,

and an enormous potential for EDF, as a public service, to conduct ambitious programs of cooperation with the engineers and companies of countries of the South, with the prospect of making functionally effective the right to access to electricity. . . . This has already been done in the past, with excellent results in terms of formation and transfer of competency. But, this has been abandoned, in fact, during the last few years, to give way to this new strategy of imperial acquisition.”

On the European continental plate, the adjustment is made through pricing: what is no longer sold directly by EDF, to the customers that the company has lost in France, is now negotiated and sold on the wholesale electricity market (especially through exports). These wholesale deals might even wind up servicing these same customers, indirectly. All in all, there is no loss of market share; at worse, there can be some loss of margins. The best proof of the effectiveness of this mechanism is that the physical flux of cross-border arrangements remains stable, and that EDF produces always approximately the same amount of power.

No ‘Imperial Conquest’ in Electricity

Outside of the European continental plate, where the EDF is involved with the three peninsulas, the growth of the company is merely financial, wrote the “Moulin” group, while its industrial and commercial potentials are hopeless. This kind of growth is not only useless, but also dangerous. In fact, the only investments that have any strategic value are inside of the European continental plate, and not at all in the peninsulas. Their expansion shall be limited by effective opportunities and, at any rate, take place over a long period. And the group concludes: “Given the nature of EDF, and that the energy needs are different for each nation, it is essential to understand these expansions on a cooperation basis rather than in terms of imperial conquest.”

The Moulin group also refuted the privatization arguments: “The public statute of the company is a strategic advantage and not a drawback. The arguments used against the public status of EDF, in claiming it would hamper its deployments elsewhere in Europe, are groundless and with no legal strength. The EDF does not have any structural need for cash, and has never been forced to give up any strategic acquisition due to insufficient financial resources.” This privatization is neither institutionally or financially justifiable, and runs the risk of being implemented with disastrous consequences.

Thus, other European countries cannot and should not rely on France in order to guarantee their electricity needs. The causes that made possible French export of cheap electricity are beginning to disappear very quickly. And in the context of an economic recovery, caused by Eurasian Land-Bridge development and by an expanded “Tremonti Plan” of infrastructure investments within Europe, France—like the other European nations—would face not a surplus, but a demand to increase its own electricity-production capacity.