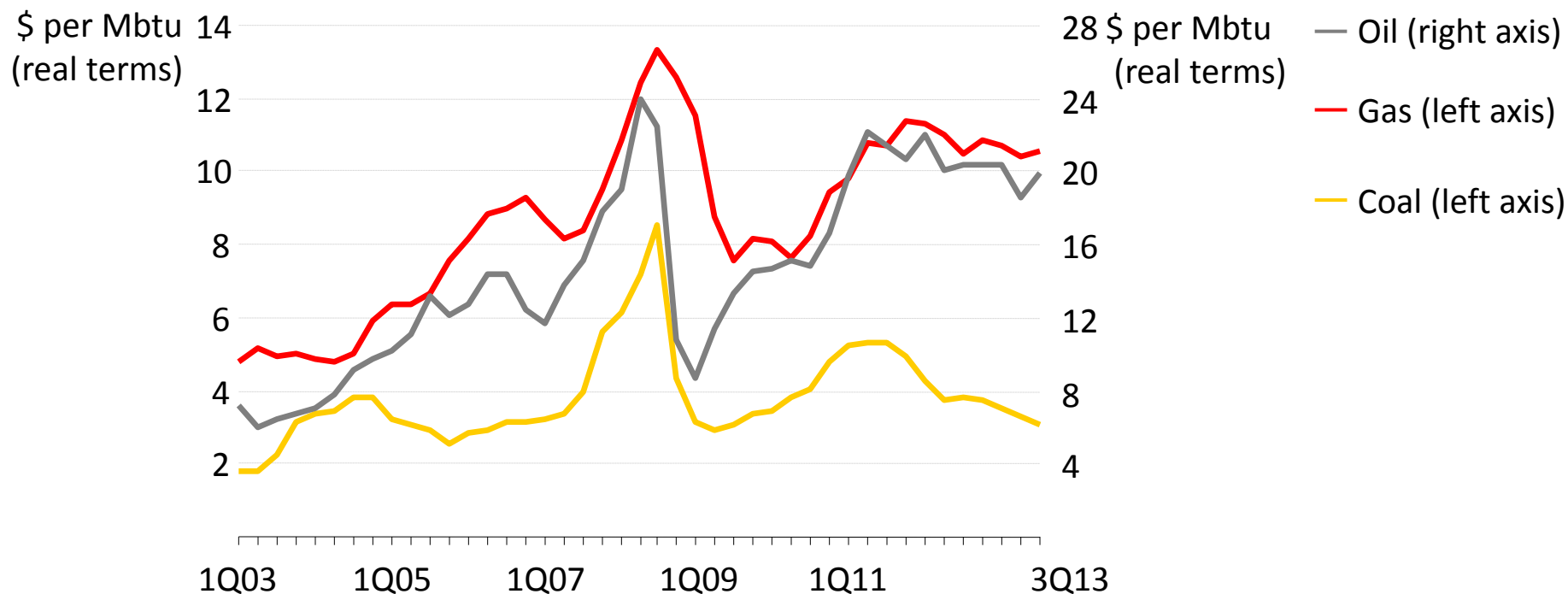


Coal & gas prices in Europe go their own ways

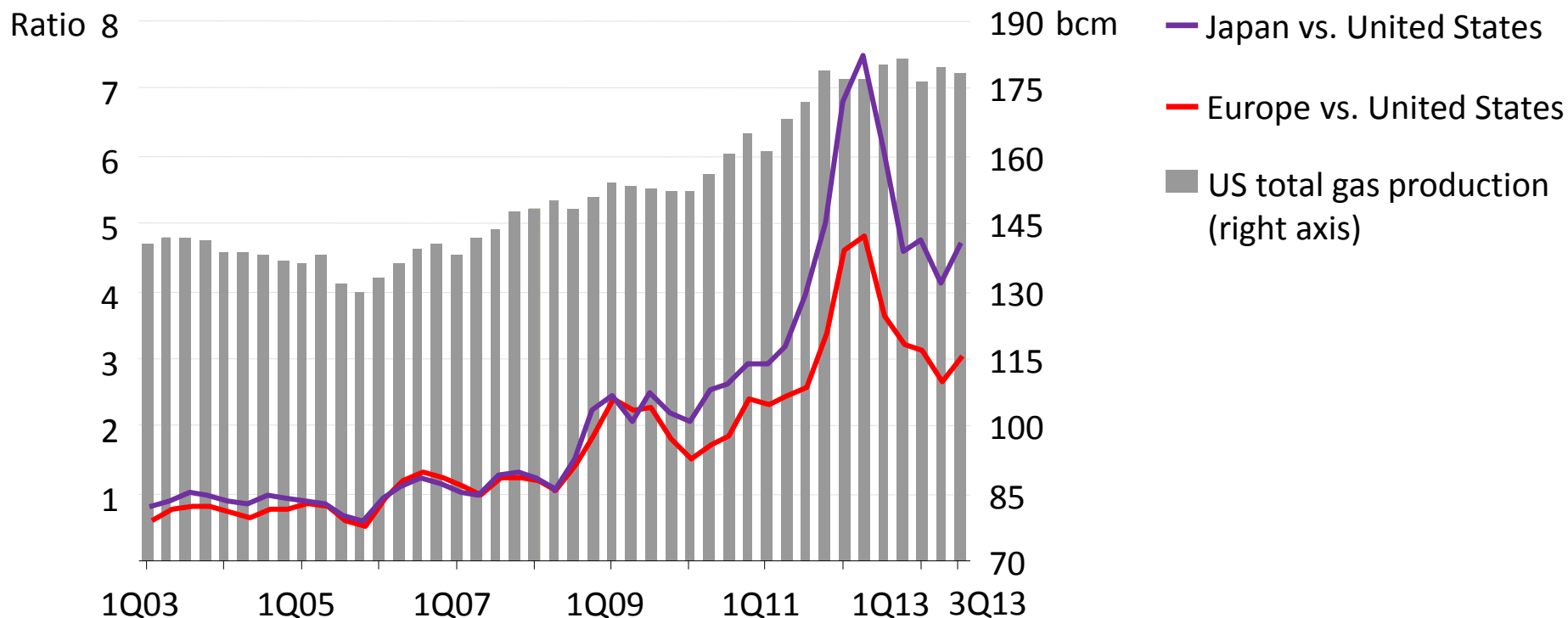
European fossil-energy import prices



European coal import prices have been in decline for the past 2 years, with prices now around their historic floor, while gas price remain stubbornly high

Europe pays much more than the United States for its natural gas

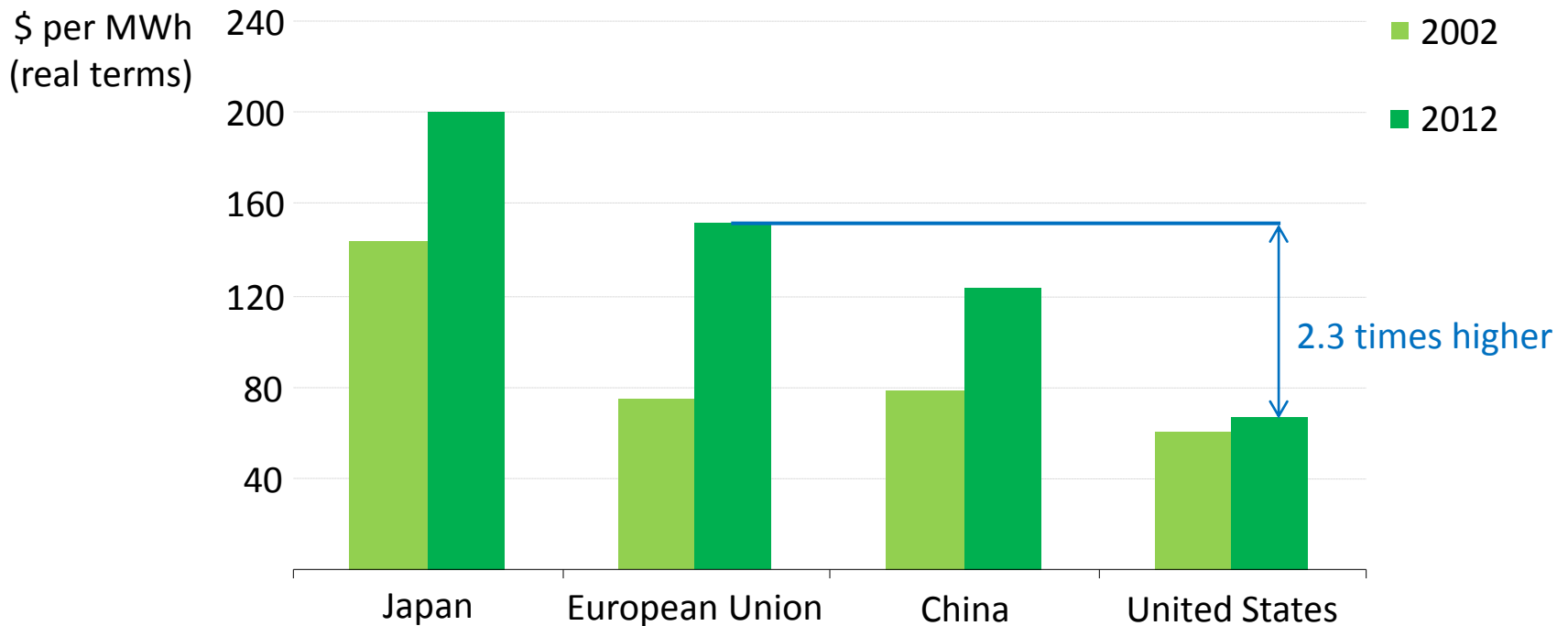
Japanese & European gas-import prices versus United States spot gas price



Rising EU gas prices & falling US prices – due to shale gas – have led to a big price gap, putting European industry at a competitive disadvantage

EU electricity has become very expensive

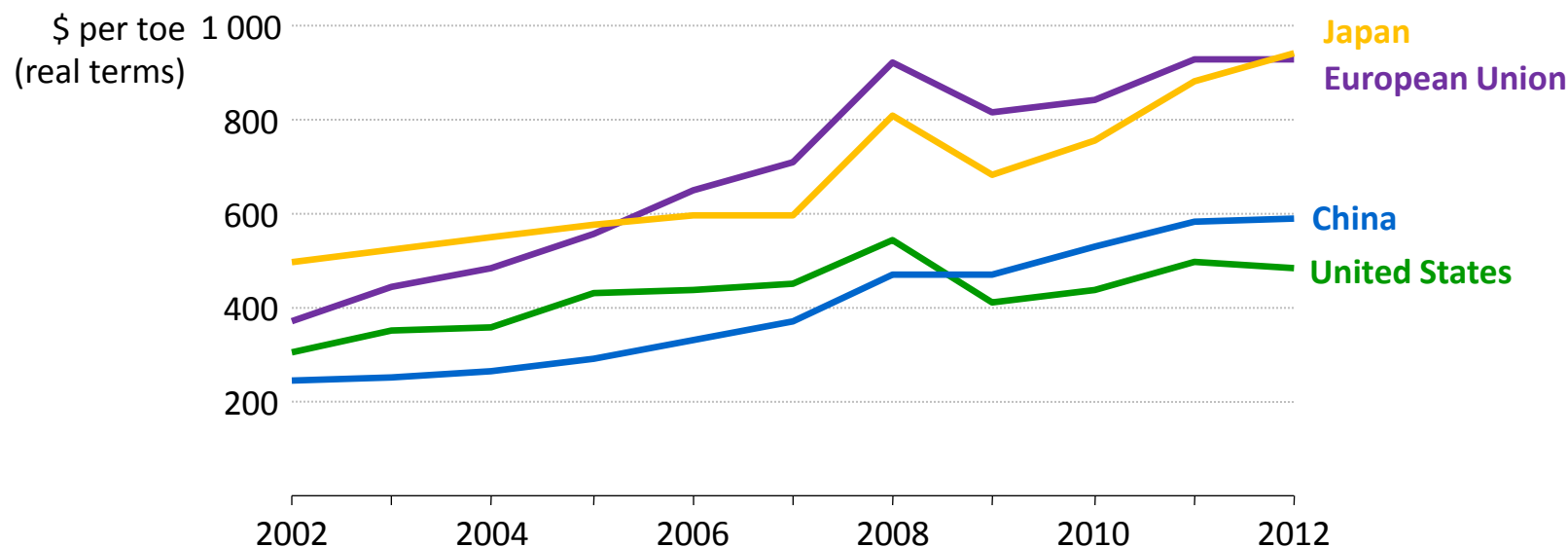
Electricity prices (including tax) to industry



Higher fossil-energy prices are the main cause of the jump in the price of electricity to EU industry

Energy prices have diverged markedly

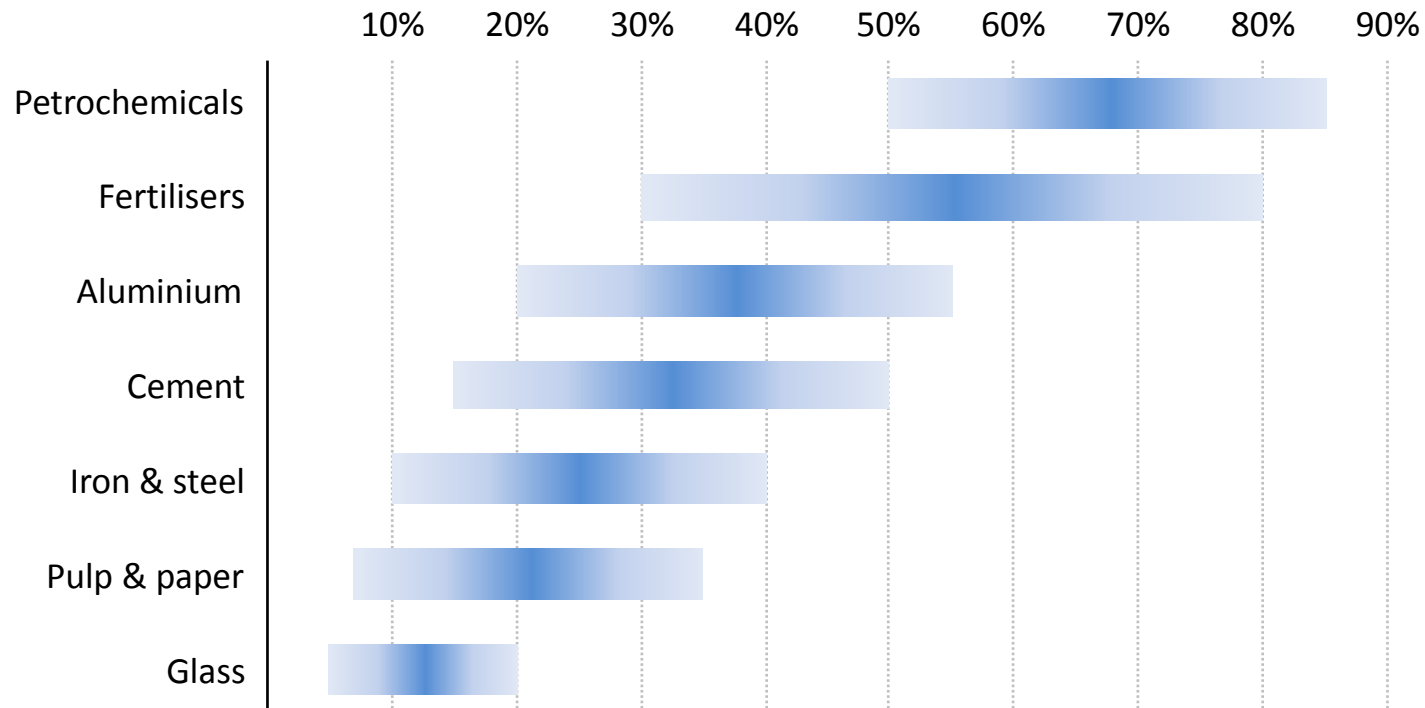
Weighted average industrial energy prices (including tax) by economy



Final prices to industry have risen in most major economies over the last decade, but at very different rates, leading to big differences in price levels today

Energy-intensive industries need to count their costs

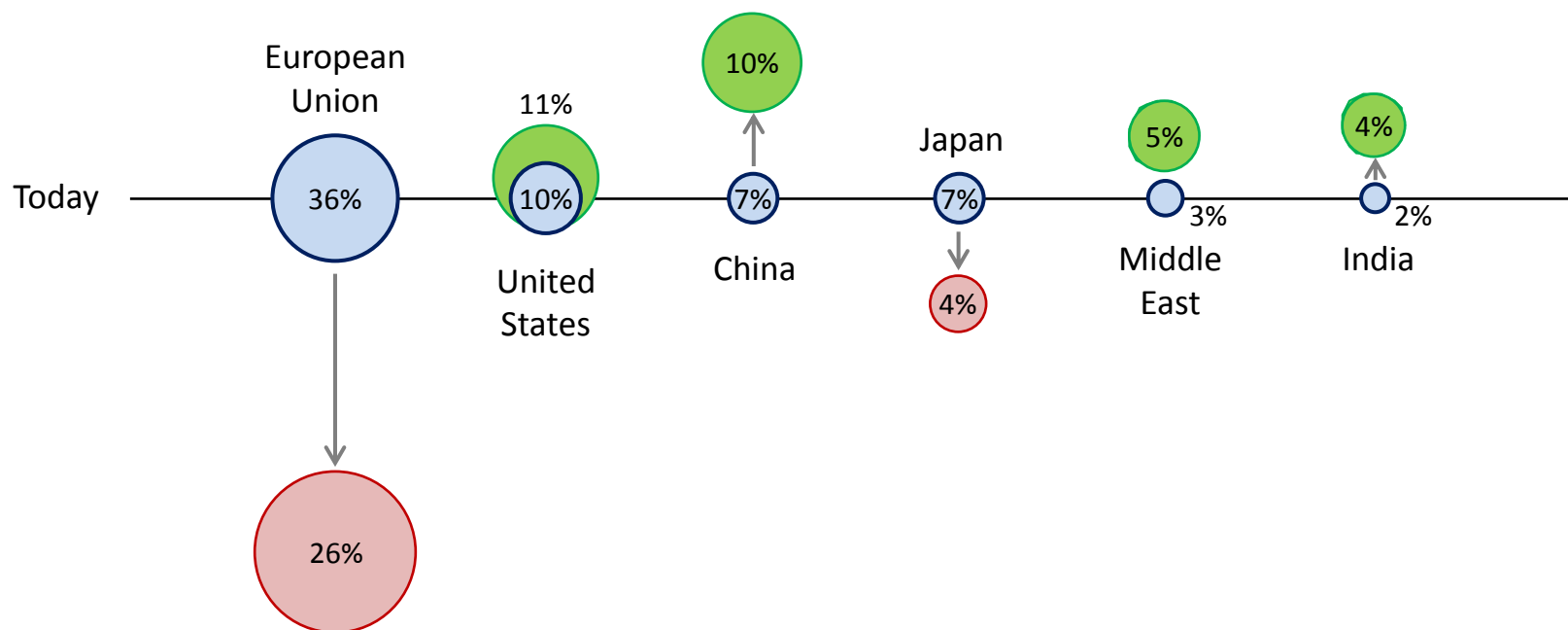
Share of energy in total production costs for selected industries



Energy-intensive sectors worldwide account for around one-fifth of industrial value added, one-quarter of industrial employment & 70% of industrial energy use

An energy boost to the economy?

Share of global export market for energy-intensive goods



The US, together with key emerging economies, increases its export market share for energy-intensive goods, while the EU and Japan see a sharp decline

Enhancing Europe's energy competitiveness

- Stronger action to improve energy efficiency must be central to reconciling energy security, competitiveness & climate goals
- Supporting indigenous sources of energy supply, including renewables, nuclear power and unconventional gas can also help
- Renegotiation of long-term gas import contracts involving a shift away from oil indexation to hub-based pricing could also cut costs
- Completing the internal energy market would further minimise the cost of energy to Europe's economy
- But with Europe likely to remain a high-energy-cost region, it is timely to reconsider Europe's long-term industrial strategy