

Johannes Teysen:

‘I have no alternative but to believe that the market works’

Johannes Teysen, Chief Operating Officer of Eon, is the new vice-chairman Europe for the World Energy Council (WEC). Eon, he admits, was not always enthusiastic about the WEC. ‘We cancelled our membership in the past.’ But the company has since changed its mind. ‘The WEC is the only organization’, says Teysen, ‘that approaches energy issues strictly rationally and from a global perspective.’

| *By Karel Beckman*

The WEC is holding its 20th World Energy Congress in Rome this year, putting Europe temporarily at the centre of the worldwide community of energy professionals. European energy companies are not always too enthusiastic about the WEC, however. Some openly wonder whether they get enough in return from their membership. ‘I can understand that’, says Teysen, whose own company temporarily left the WEC. ‘The WEC works through national organizations. A less hierarchical structure might be better.’ At the same time, he says, ‘the WEC is not a consumer organization. You have to put something in it as a member, then you will get something out of it.’

The WEC, says Teysen, is unique, in that it is the only organization that looks at energy issues without ‘short-term emotions’ getting in the way. ‘We don’t have a specific message that we are trying to push. Rather we try to look at energy rationally. That means from all angles, not just from the perspective of climate, or security of supply or accessibility, or any other single issue, but taking all aspects into account.’

In Rome, Teysen will present an Eon-sponsored study that looks at the vulnerability of energy markets to various crises. ‘It was an interesting exercise’, says the Eon-executive. So interesting, in fact, that he has decided to pursue further WEC-studies along similar lines. ‘For example, we want to answer the question whether a market-based approach is the best way to handle energy issues. In fact not too many countries have liberal energy markets. We want to find out whether the market can deliver the goods for everyone, not just corporations.’ Both as a private

person and as a board member of Eon, Teysen says he is fully committed to liberal energy markets. ‘I have no alternative than to believe that the market works in Europe’, he jokes. ‘Or else Eon is a failure. And I don’t think it is’

Teysen says he is positive about ‘the direction the European Commission is taking’ in its energy policy. ‘The policy of Brussels is based on the idea of a growing integration of the European market and on a belief in market-based solutions.’ But, he adds, although Brussels has the right diagnosis, it does not always prescribe the right medicines.’ Teysen is referring above all of course to the Commission’s insistence on ownership unbundling of the networks. ‘We have researched this issue very thoroughly and I can say there simply is no relationship between the ownership of the networks and any performance standard, such as the level of investment or pricing or accessibility. Sometimes it is said that energy in the UK is cheaper than in Germany, but that is only if you include taxes. There is also no relationship between ownership and reliability of the networks.’

As to accessibility, Teysen says, ‘I presently do not know about a single complaint about that in Germany.’ As a network owner, Eon has ‘no advantages over its competitors’. So why then does Eon argue against unbundling? Teysen: ‘I only defend private property. In the long term, Eon might well decide to dispose of a network. It is not the biggest thing in the world for us. But I wonder, is it really ownership unbundling the Commission is after? Or are they after state ownership of the networks? In Sweden the state owns the networks and the biggest energy

producer and supplier. Will that company be unbundled and get different owners?’

Teyssen is also critical of the Commission’s proposal to prevent vertically integrated companies from third countries (i.e. Gazprom) from owning networks in the EU. He thinks the approach the Commission is taking is much too formal. ‘I don’t think it makes much difference who owns the electricity networks, as long as they have to observe the rules. The gas market is a little bit more

that European politicians ‘have not told us what climate policy is going to cost. The costs are going to be high.’

The Eon-executive is in favour of emission-trading to reduce CO₂-emissions. ‘The European Emission Trading scheme (ETS) was a smart move. It is a market-based solution.’ But in this case, too, the execution of the Commission’s good intentions leaves to be desired, says Teyssen. ‘Unfortunately, there are such serious flaws in how ETS is set up. Market participants lack



Johannes Teyssen, board member of Eon and vice-chairman Europe of the World Energy Council. Photo: Andreas Pohlmann.

problematic. The EU is more vulnerable when it comes to gas. We should approach this pragmatically. But there is no need to be anti-Russian. Why on earth do we have to tell them what to do, to teach and criticize them? Our energy relationship has worked well for 40, 50 years.’

Teyssen says it would be ‘dumb’ for the EU to make ‘anti-Russian laws’ that would deter them from investing in infrastructure or building new pipelines. ‘I love it when they build pipelines that go to Europe! It makes them as much dependent on us as vice versa. If we chase them out of pipelines into LNG, that would be much more disadvantageous to us. The LNG they can sell to anyone in the world.’ The whole Russian ‘problem’, Teyssen says, is ‘totally blown out of proportion.’

European policy-makers often seem to be unable to keep things in perspective when it comes to energy, Teyssen observes. The climate problem, for instance, is currently ‘getting too much weight’, he says. ‘It is important, but it is not the only issue to consider. In Europe we have a tendency to try to save the world alone. But if we reduce our fossil fuel consumption and the consumption moves elsewhere, we don’t help the climate at all. We only undermine our competitiveness.’ Teyssen believes

adequate access to information. There is no one who is educating the market players, who is taking the lead. Another serious flaw is that every member state has its own national plan.’

The Commission has indicated that the first phase of the system (2005-2007) was a test phase. It has already made a number of changes that will take effect in the second phase (2008-2012). ‘But the second phase is hardly an improvement’, says Teyssen. ‘There is still no one who is taking the lead and ordering the market. I am a little frustrated by the lack of progress.’ On 5 December, the Commission will come with an ambitious post-Kyoto plan, says Teyssen. This will take effect after 2012. ‘I have been told the national allocation plans will be abolished.’

About the merger between Suez and Gaz de France, Teyssen says: ‘The good news about the Suez-Gaz de France merger is that the majority of the shares will be privatized. The bad news is that the company is structured in such a way that the state will always have control. If this represents a move towards a renationalization of energy producers, I regret it. We need more private capital in the energy market, not more state involvement. If Suez-Gaz de France is trying to control Europe with the help of the French state, I would consider that as a threat.’ ■