

## WEC-EUROPE PERCEPTION

# Impact of Current Financial Crisis on the Energy Sector

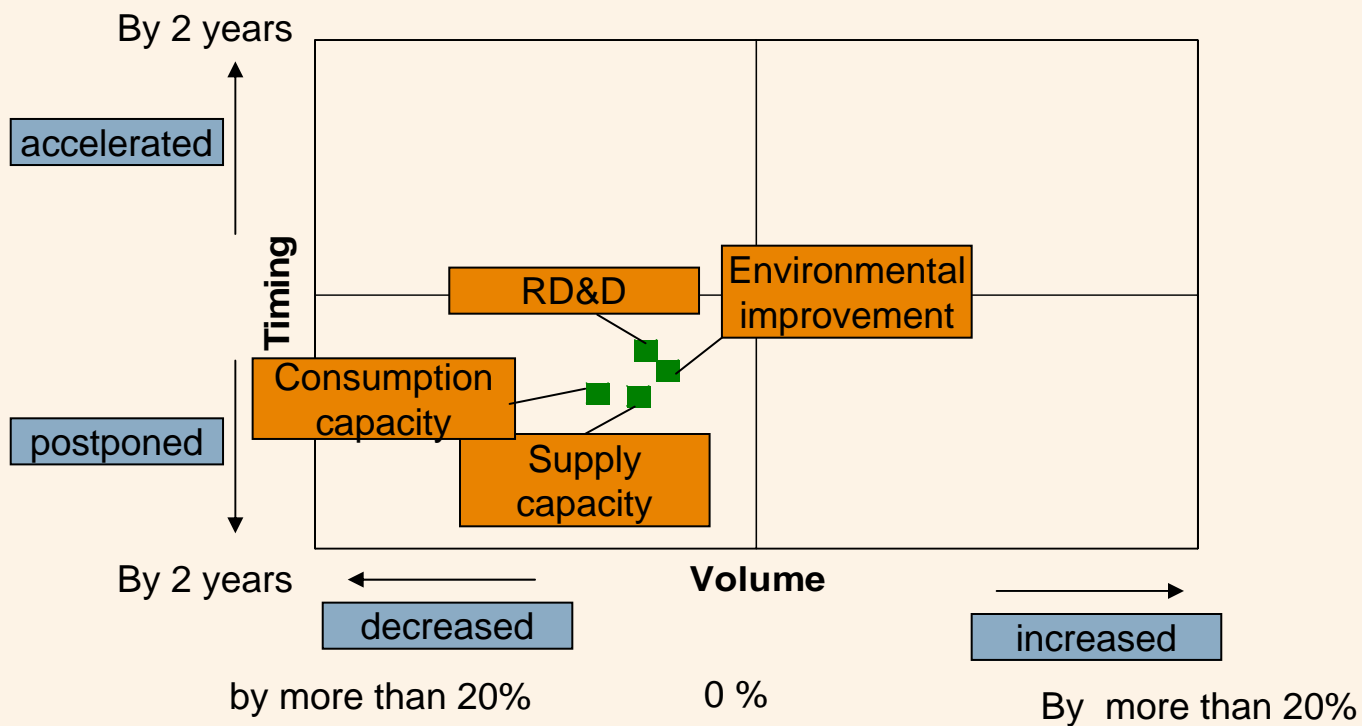
- Preliminary results -



## Questionnaire

- **Proposed by WEC- Europe Vice Chair Mr Johannes Teyssen (COO & Vice –President of E.ON AG) has been developed and distributed to find out about the market sentiment with respect to the financial crisis.**
- **Four major questions have been asked:**
  - Impact on the investment plans ?;
  - Impact on research, development & deployment plans?;
  - Whether do we need a new regulatory framework?
  - Would it lead to recession or a structural change?
- **As of 15th November 2008, 16 MCs ( and some 65 companies) answered: Austria, Denmark, Estonia, Finland, France, Greece, Iceland, Italy, Latvia, Luxembourg, Poland, Portugal, Romania, Slovenia, Spain, Turkey**
- **A new Questionnaire is now under way for worldwide distribution.**

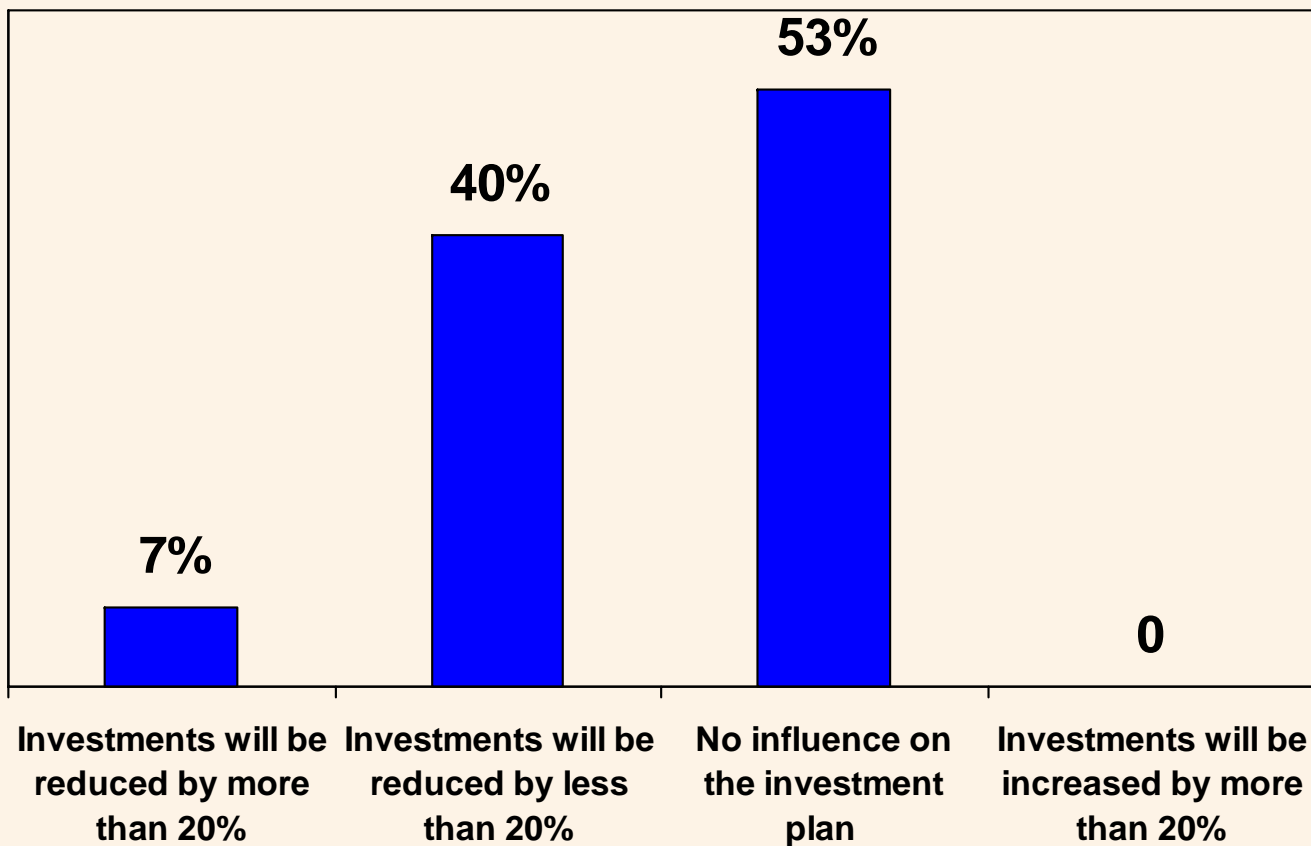
## Investment overview



Investment sentiment on average is in the negative area: Postponed and decreased, but still surprisingly positive.

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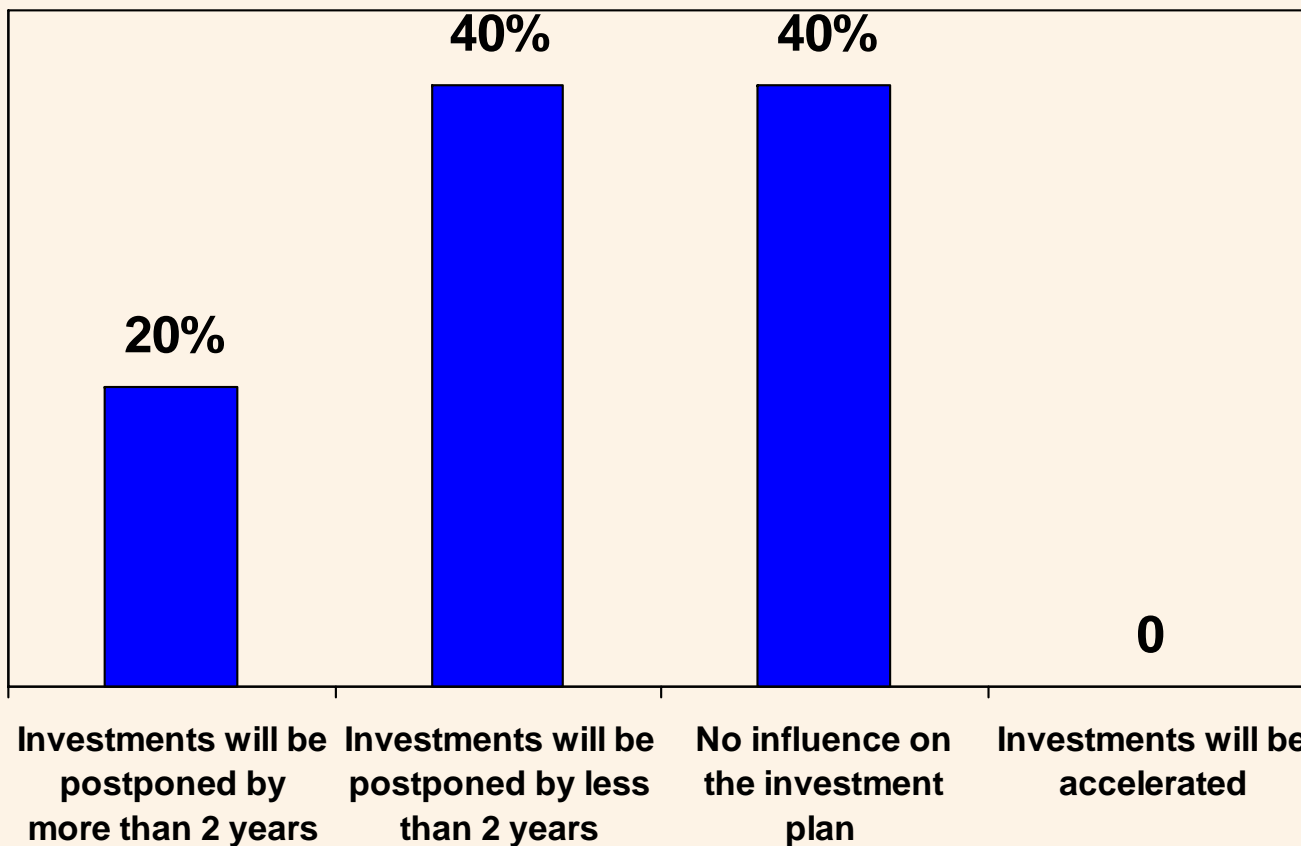
### Supply capacity - Volume



**Majority opinion:**  
No change in size of  
planned investments  
would be expected.

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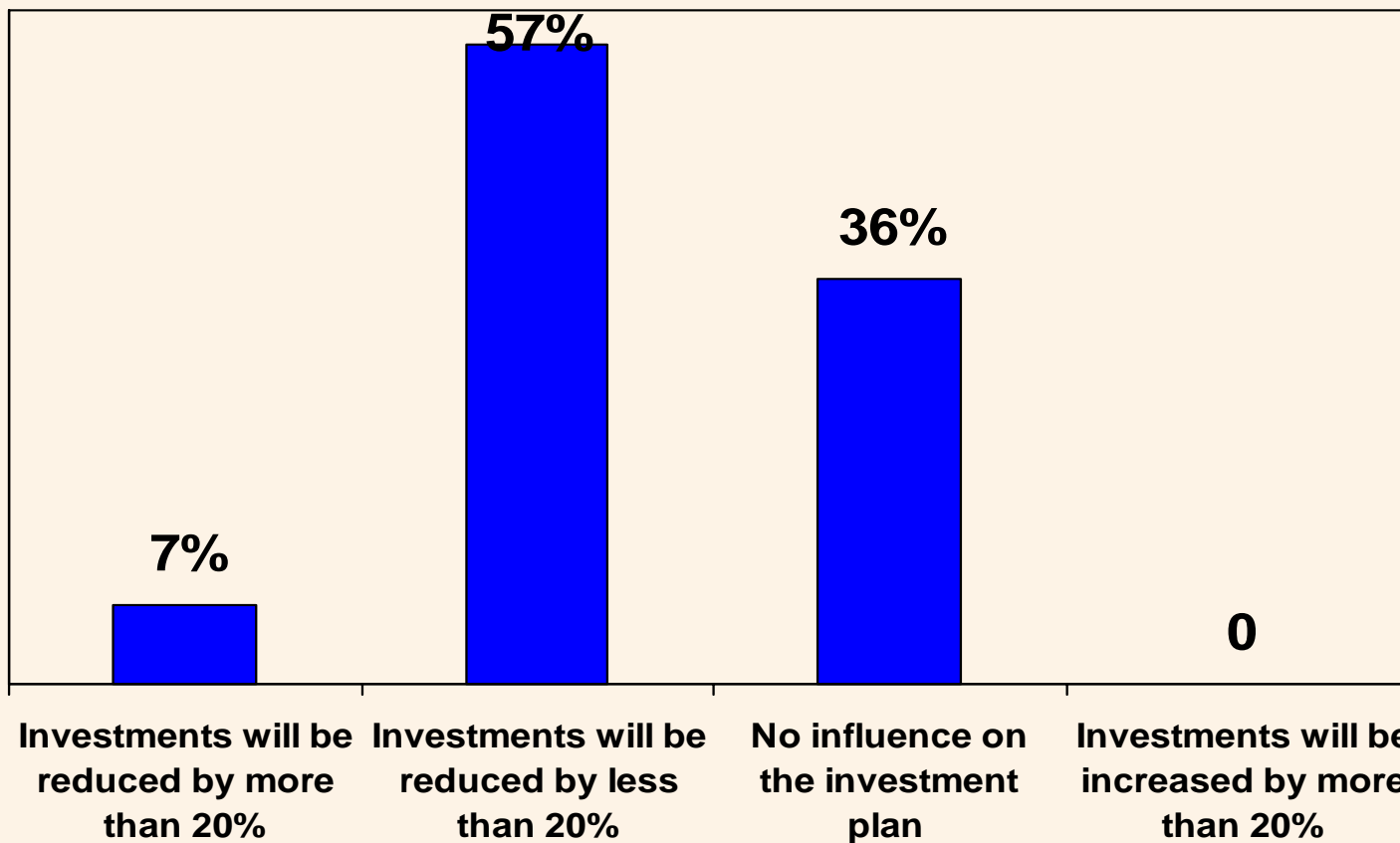
### Supply capacity - Timing



Postponing investments is slightly more likely, in term of timing but less than 2 years

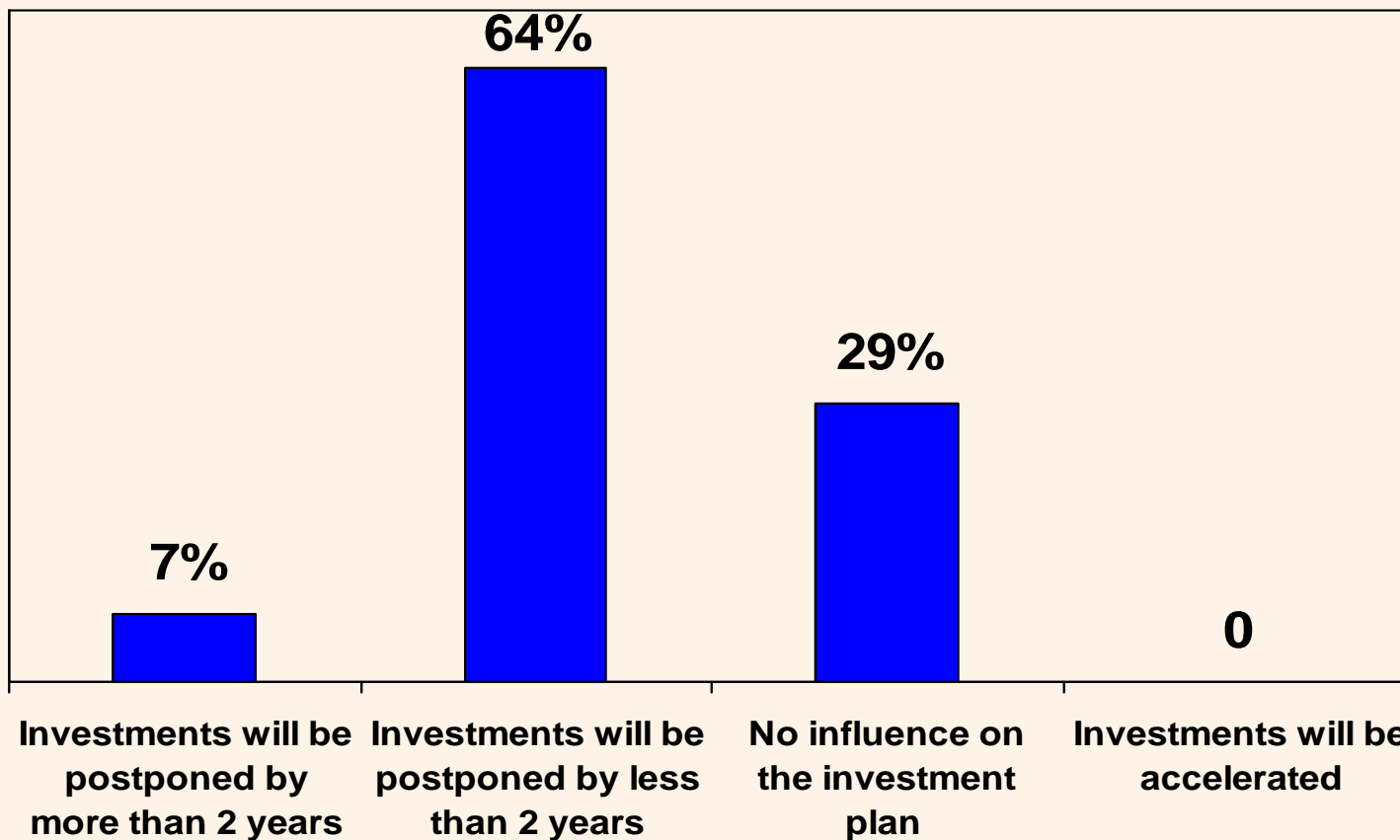
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### Consumption capacity - Volume



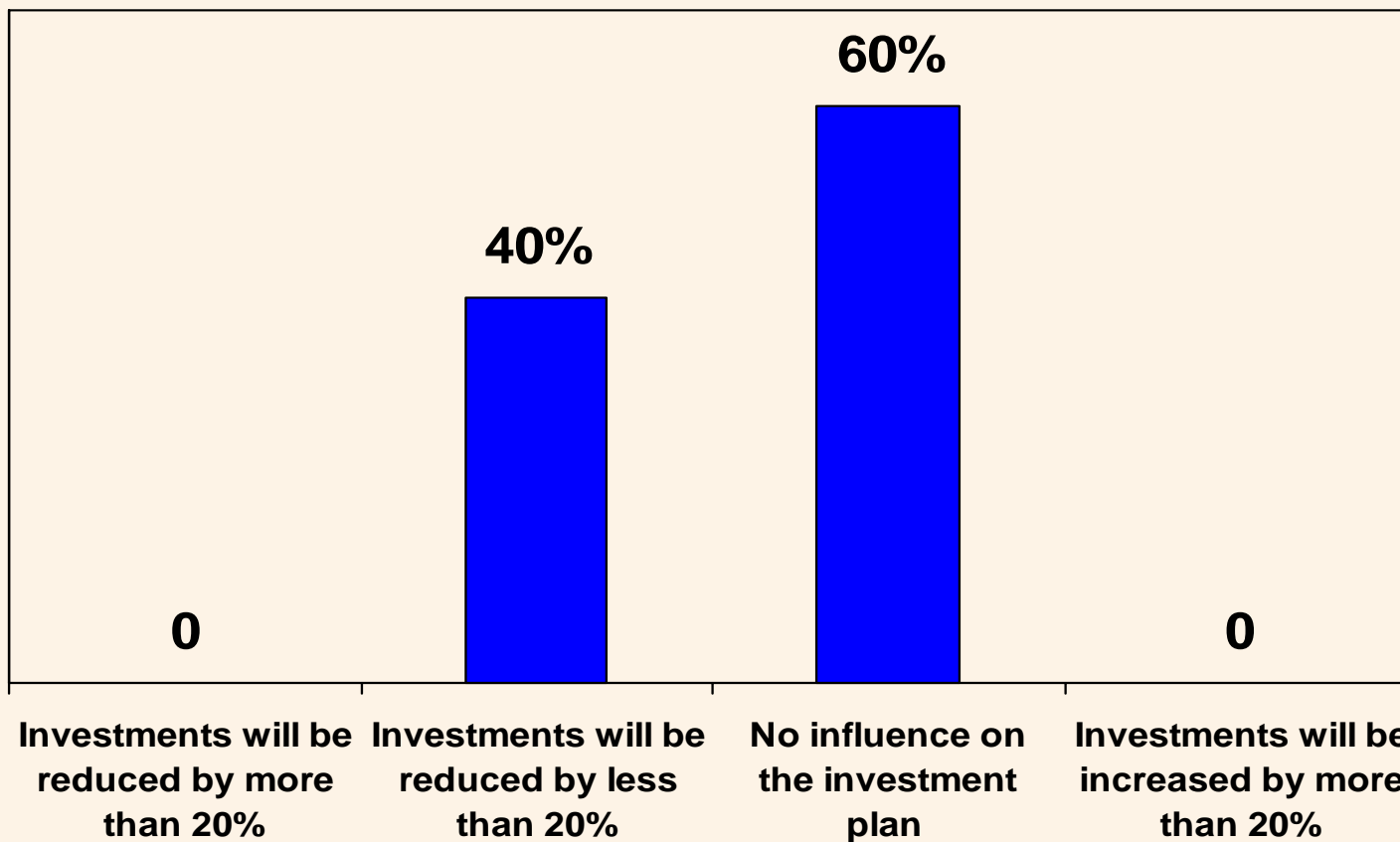
Investment volumes in consumption capacity would be hit more than supply capacity.

## Consumption capacity - Timing



Postponing investments in consumption capacity is more likely than postponing that of supply capacity.

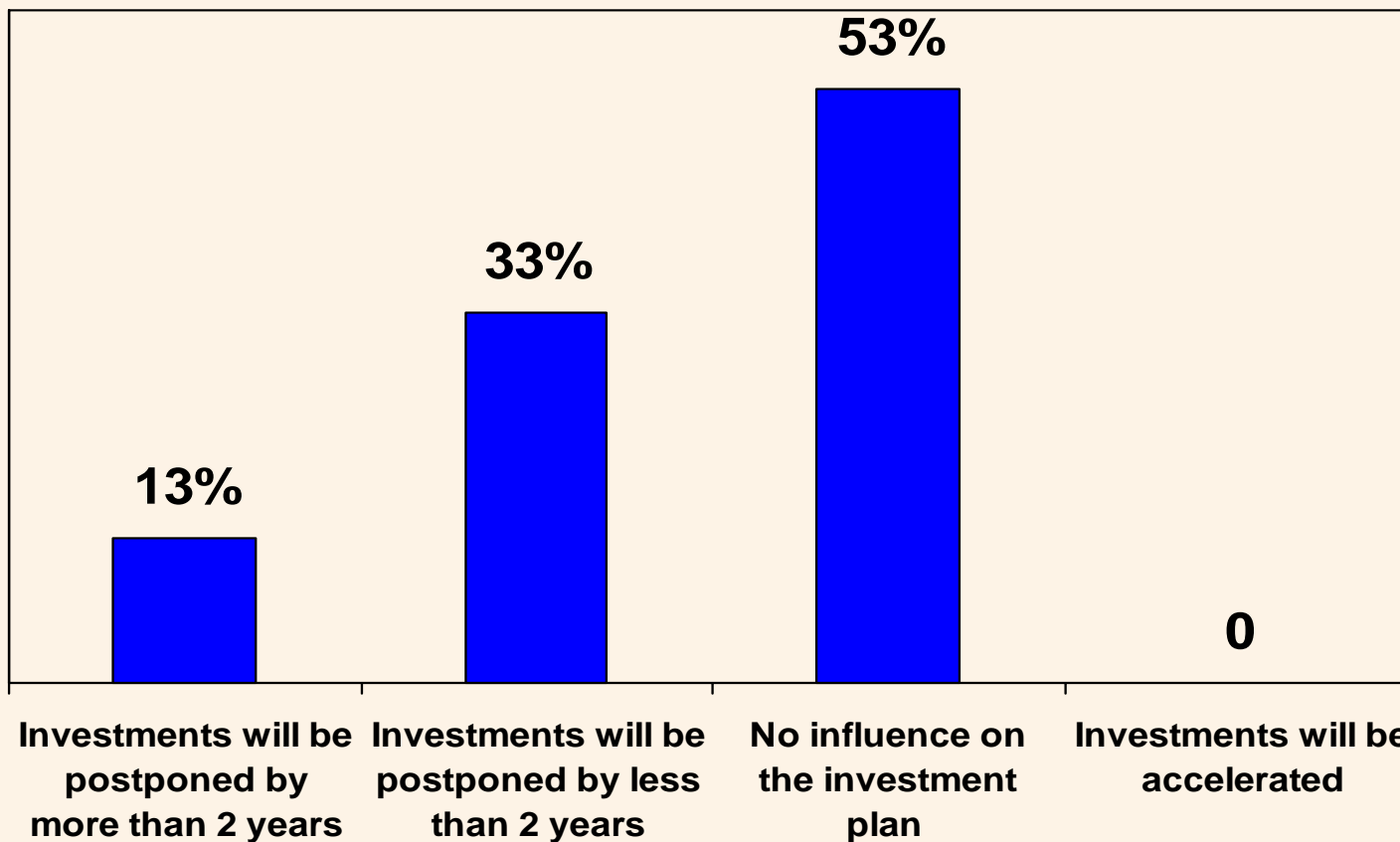
## Environmental improvement - Volume



Investments in environmental improvement are the most stable ones.

Possible reason: strict regulation require these investments.

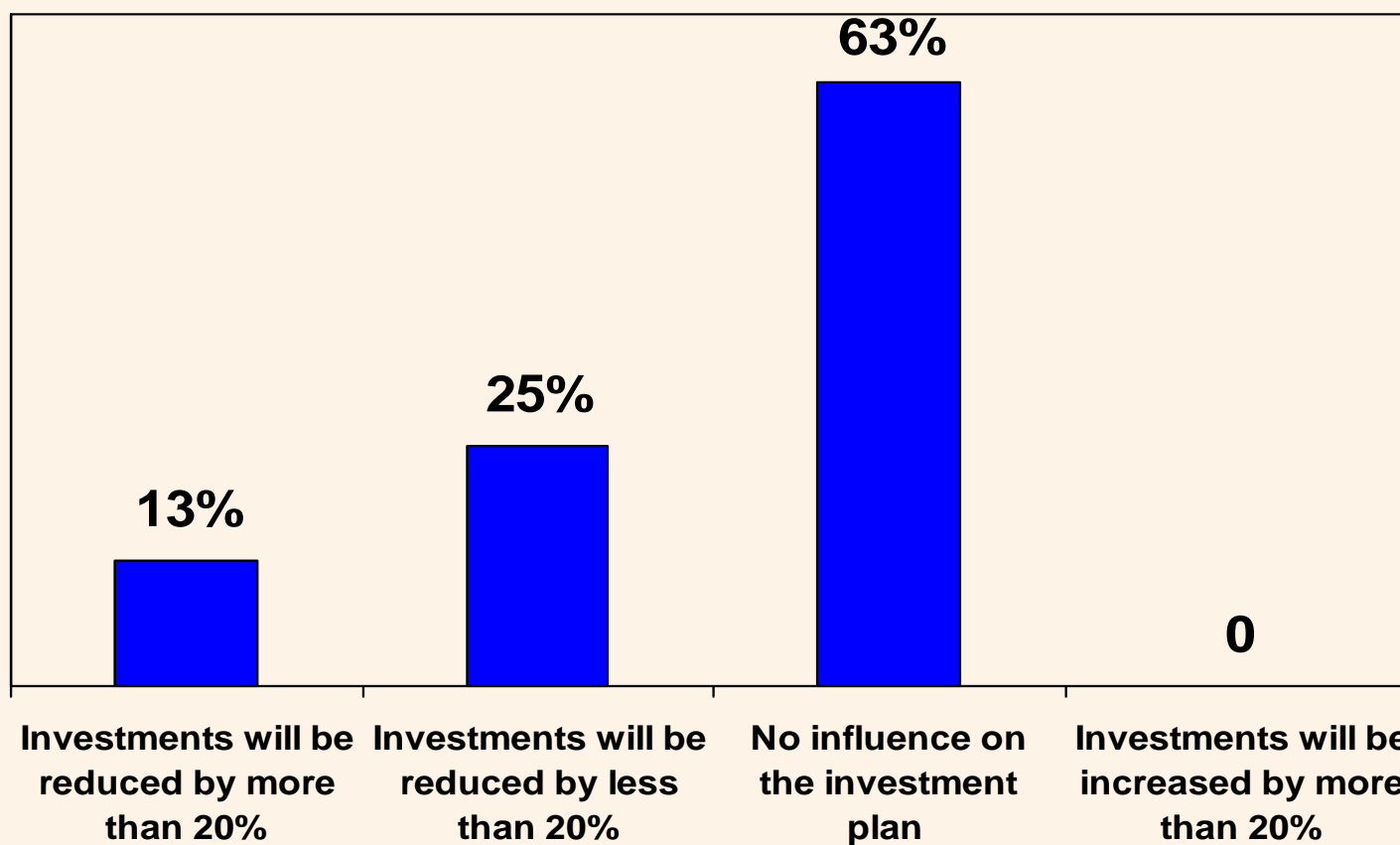
## Environmental improvement - Timing



If there are deviations for investments into environmental improvements a delay is more likely than a decrease of the volume.

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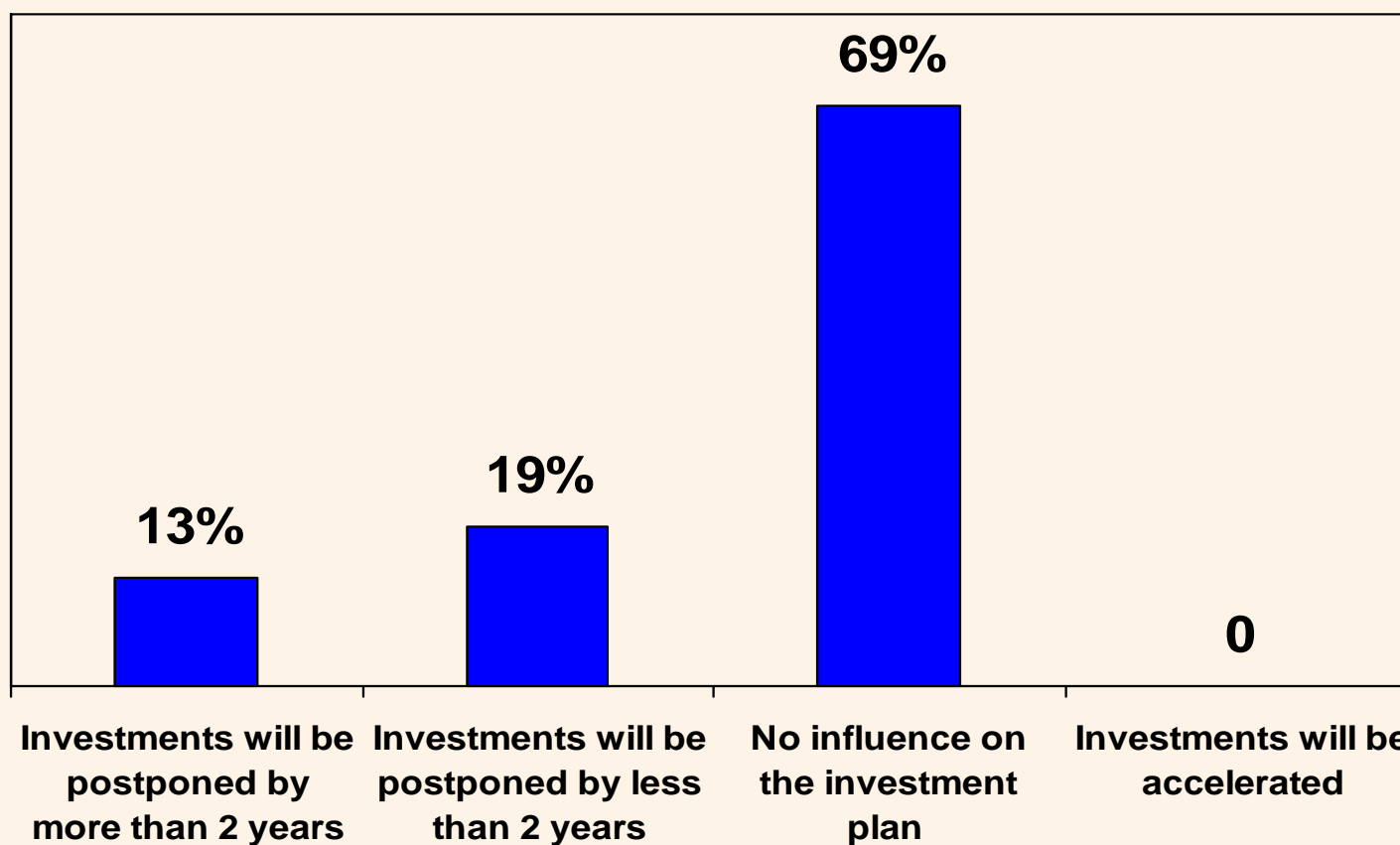
### RD&D - Volume



Most participants will stay on track with their RD&D plans.

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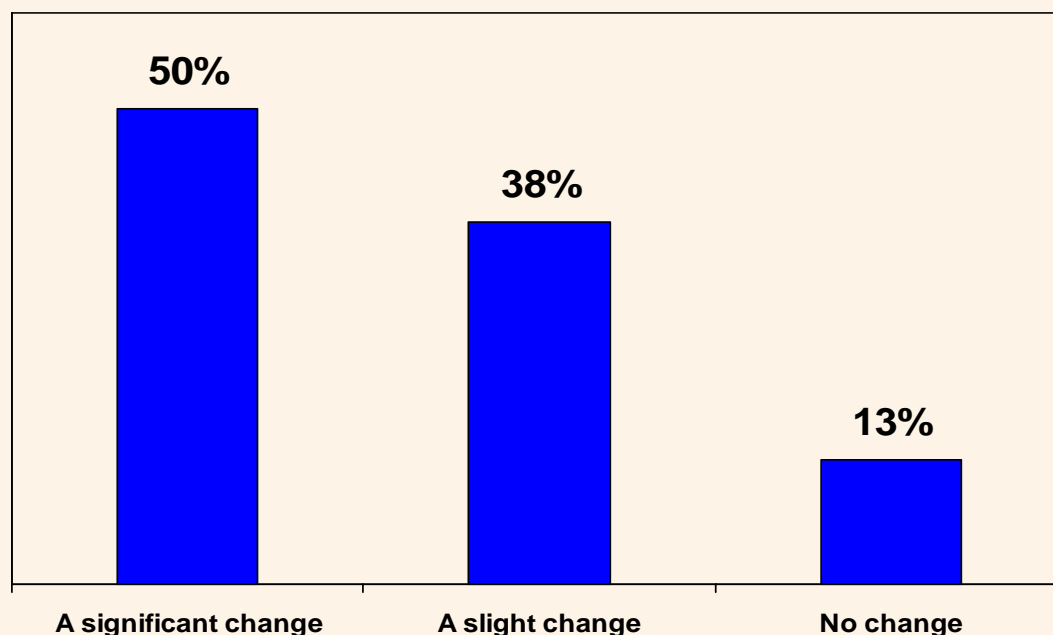
### RD&D - Timing



Interesting:

Financing RD&D  
is considered  
would not be hit

## Regulatory framework needs a ... to give incentives for new investments.



Regulations need changes following that of financial markets

## Recession or structural change?



Slight majority considers the current situation as a structural change, some even as both, i.e. a structural change and a recession.

## General conclusions 1/2

- **Financial crisis becomes a real threat for economy and it could impose inevitable structural changes, including in energy sector: slowdown of growth, weak international trade. Raising funds for investments is a major issue – financial costs become considerable expenses.**
- **However, it has not yet an impact on the energy sector.** Consequently there are no changes to the investment and R&D plans – but if the situation would persist longer, capex cuttings could follow. In the short term we proceed as planned.
- Companies operating in Central/Eastern **Europe** have **not** (yet) been **affected by important changes**, in current activities and perhaps in future plans; **Western European companies** are experiencing **a different approach** and attitude in core business, especially in supply capacities.
- **Renewables might benefit of the crisis, since their funding is often based on a regulatory framework.**

## **General conclusions 2/2**

- **Construction of natural gas & oil pipelines is a long term activity, therefore an economic recession might have a more limited impact. In liberalized electricity markets, some stimulating policy and market instruments might encourage new investments into transmission infrastructures, even under financial crisis conditions;**
- **In a short term, financial crisis would not have significant impact on investments in supply side. Urgent steps would likely be taken to establish more firm and conservative rules for the functioning of financial sectors, both at state and international level;**
- **For power/electricity sector, it could be fatal if the financial crisis would result in suspending of investments, into generating capacities and networks infrastructure as well.**

## Impact of the Financial Crisis on the Energy Sector



# THANK YOU

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