



Summary of Key Issues

**IEA/NEA Workshop on
“Power Generation Investment in
Liberalised Electricity Markets”**

26 March 2003



Future Trends

- **A lot of new capacity, over half NG**
- **Governments in “middle of the stream” , learning by doing, meeting unexpected challenges**
- **Investment challenges remain greatest in developing countries.**



Investment and Finance

- **Spot/forward markets signals appear “too late” - decisions taken on fundamentals. Other signals as capacity payment?**
- **Retail prices are often decoupled from wholesale prices.**
- **Merchant generators are dead (or at least broke). Will the “Seven Brothers” (integrated companies) replace them?**
- **Investing in peak capacity as a real option. Do investors really value it?**
- **Recreate confidence for investors**



Investment and Natural Gas

- Gas CCGT favoured on fundamentals
- Gas allows for decentralised power
- Current dash to gas is balancing portfolios
- Rent sharing between gas producing and importing countries open
- Is there a governments' role beyond monitoring security risks?



Investment and Other Technologies

- If customers are willing to take long-term commitment, new (cost-effective) nuclear can be built.
- Substantial increase in efficiency for new coal plants, but uncertainties on CO₂ rules hinders investment
- Renewables - how to subsidise effectively / efficiently?



Governments and Investment

- **Governments have enormous influence on investment**
 - ◆ Renewables
 - ◆ National champions
 - ◆ Price protection
- **Uncertainty about government intervention can be worse!**
- **Clear and predictable framework necessary**



Further IEA work

- **WEO 2003: Energy Investment Outlook**
 - ◆ Highlight challenges not just for power generation but for all energy
- **Book: Investment in Power Generation**
- **Permanent debate with IEA Gvts. on role of governments for investment**
- **Study on generating costs (IEA/NEA)**
- **Follow up workshop in 2004 (IEA/NEA)**
 - ◆ Subject: Security of supply