

TO: EU Energy & Environment Ministers,
through Member State Permanent
Representations
CC: Commissioner Miguel Arias-Cañete
Director-General Mauro Petriccione
and Director-General Dominique Ristori

Brussels, 13 December 2018

Dear Ministers,

The European power sector welcomes the direction and findings of the Commission's long-term climate strategy, which confirm the key role of electricity in enabling the EU economy to achieve carbon neutrality by 2050 in line with the Paris Agreement objectives.

The European electricity sector is committed to enabling and supporting a competitive European economy powered by carbon neutral energy and to ensuring a competitively priced and reliable power supply throughout the integrated European electricity market.

Following the publication of our joint industry vision in December 2017, we have been analysing concrete ways to realise the aspiration of our sector to become carbon neutral well before mid-century, while expanding the uptake of clean electricity in other economic sectors.

The analysis, carried out with support from McKinsey & Co., was recently published in the study *Decarbonisation pathways*. It confirms that achieving full decarbonisation of the EU economy will require at least 60% electrification by 2050 and that it is technically feasible to achieve full carbon neutrality in the electricity sector by 2045. While this aspiration is no doubt ambitious, the study finds that overall costs are actually lower than previously assumed, not least due to the rapid cost reductions of renewable power generation technologies.

The future power system that can enable a carbon neutral EU economy will rely on over 80% of renewables with the remaining share provided by multiple flexibility and firm sources to ensure security of supply. This requires efficient market-based investment frameworks and adequate market design that can help to trigger annual investments of 89-111 bn Euros in 2020-2045 in generation and storage.

Active involvement of prosumers and increased social acceptance for high renewables build-out with new transmission lines will be needed. Support and dedicated EU funding for Member States that face a more difficult starting point in the electrification and energy transition journey will also be required.

The EU long-term climate and energy policy will need to define a legislative framework which incentivises decarbonisation across the entire EU economy exploring synergies across different sectors.

Understanding the benefits that carbon neutral electrification of the EU economy can bring for achievement of EU's climate and energy objectives will be crucial in discussions on the European Commission's long-term climate strategy. We hope that our analytical input will contribute to an informed debate on the EU's long-term objectives and look forward to engaging in the detailed discussions.

With sincere wishes for successful discussions in 2019,

Kind regards,



Kristian Ruby
Secretary General