



# Powering the Green Deal

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Eurelectric position paper

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Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

## We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

**investing** in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

**transforming** the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

**accelerating** the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

**embedding** sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

**innovating** to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

## Introduction

Eurelectric supports the ambition of net-zero emission in the European Economy by 2050 and welcomes the commitment<sup>1</sup> by Ms Ursula von der Leyen to present a Green Deal for Europe in the first 100 days in office. As an industry, we are committed to deliver carbon neutral power supply well before 2050<sup>2</sup> and to make a key contribution to the decarbonisation of transport, buildings and industry through electrification.<sup>3</sup>

Eurelectric has outlined a set of enablers to achieve this long term ambition and calls for the right enabling framework. It must provide the necessary conditions to collectively ensure a just energy transition that will preserve the competitiveness of Europe's economy, safeguarding security of supply and social acceptance.

## A Green Deal for Europe should

### 1. Enable cost-efficient emissions reduction in the energy sector leading to full carbon-neutrality by 2050 while ensuring security of supply, competitive energy prices and social acceptance.

First of all, the swift and rigorous implementation of the Clean Energy Package is a must. Going forward, predictable, stable and market-based frameworks are needed to ensure the necessary investments in renewables, carbon neutral energy sources and key transition enabling technologies such as storage and demand side flexibility, while addressing the security of supply challenge. A strong EU ETS will deliver the most cost-efficient emission reductions in the sectors covered and should be the core instrument. . In this context it is important to remain technology open. To deliver on this ambition, we also need to collectively address the issue of permitting and public awareness for the deployment of clean technologies and electricity networks.

### 2. Ensure a Just transition which leaves no-one behind.

The energy transition has many aspects touching countries, regions and individuals. Social acceptability and citizens'/consumers' engagement must be a central element in the Green Deal. Implementing ambitious climate policies can have very different distributional effects within societies. To avoid increasing inequality and to improve the acceptability of decarbonisation, these effects have to be identified and efficiently addressed. Establishing funding and financing mechanisms with a focus on Member States most affected by the transition is also critical. A meaningful and consistent Just Transition set of measures, including a Just Transition Fund, as envisioned within the next MFF, can create green jobs, prevent energy poverty, support innovation and stimulate sustainable economic growth. The fund must be significant in size and focus on those regions of which are highly carbon intensive, in particular those which are heavily reliant on coal and with GDP per capita below the EU average. The fund should support

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<sup>1</sup> [https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf)

<sup>2</sup> <https://www.eurelectric.org/news/european-power-sector-calls-for-a-climate-neutral-economy-by-2050/>

<sup>3</sup> Eurelectric's Polish member association PKEE supporting the need for a transformation towards innovative and low-emission economy, could be able to support the EU 2050 Climate ambition assuming that prior to establishing EU climate-neutrality binding measures, a fair burden-sharing mechanism will be created taking into account compensations for Member States with different starting points

detailed regional energy transition plans, which ensures a transition from fossil fuels to climate neutral energy supplies.

**3. Anchor clean and smart electrification at the core of the European Green Deal.** Carbon neutral electricity is clearly the main contributor to the transition towards a climate neutral Europe<sup>4</sup>, mainly through direct electrification but also transformed into another energy vectors. Not only will it enable the decarbonisation of fossil-dependent sectors; it will also make energy supply more efficient, secure and affordable. Within the Green Deal this means developing a electrification strategy which focuses on:

- **Channelling investments in smart electricity transmission & distribution grid** infrastructure through the revision of the TEN-E regulations.
- **Accelerating the roll out of electric charging infrastructure** through revising in the Alternative Fuels Infrastructure Directive including its alternative fuels definition and addressing the remaining barriers to smart charging in order to ensure the effective integration of electric vehicles in the power system;
- Implementing an ambitious strategy with clear goals **to decarbonise energy demand from heating & cooling**. This should unlock system benefits resulting from sector integration, foster energy efficiency and the use of clean energy in the heating & cooling sector;
- Providing a clear regulatory framework and enhanced **R&I support** for the market-based deployment of carbon neutral power-to-x technologies and unleashing the benefits of sector integration.

#### **4. Prevent carbon leakage**

Eurelectric recognises the need to address the potential for carbon leakage in industries which compete in global markets and this has to be addressed at EU level. Many industries will be heavily impacted by a meaningful carbon price signal in Europe. The power industry is already affected as well, as seen in the cases of coal and other fossil based electricity imports from non-EU/EEA countries to the Baltic States, Bulgaria, Croatia, Greece, Poland and Spain. As Europe takes global leadership in addressing climate change, European industry must be able to compete while knowing that investing in decarbonisation efforts is a no-regret decision. In this context, Eurelectric is open to engage in discussion on EU policy options, including a potential Carbon Border Adjustment or similar mechanisms.

**5. Align energy taxation and electricity pricing rules with EU's climate objectives.** One of the key obstacles to electrification is that current energy taxation systems do not reflect the externalities of fossil fuels. In the current system electricity based technologies have to account for CO<sub>2</sub> prices even if outside the EU ETS, while fossil alternatives do not, continuously setting an incentive against decarbonised electricity. Based on an impact assessment the Green Deal must address this issue urgently by ensuring a level playing field between energy carriers, reflecting their actual emissions. Beyond taxation, electricity price structures including grid tariffs are in urgent need of reform. An appropriate burden sharing

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<sup>4</sup> [https://ec.europa.eu/clima/sites/clima/files/docs/pages/com\\_2018\\_733\\_analysis\\_in\\_support\\_en\\_0.pdf](https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf) (Page 88)

of the decarbonisation effort is a must and the current situation is not sustainable: taxes and levies on electricity have increased by over 70% over the last 10 years, on average in Europe. As a result, consumers who switch to clean and efficient electric solutions bear a disproportionately high share of the burden of decarbonisation of the whole economy.

- 6. Make sure that all sectors deliver towards the 2030 objectives. In a context of increased emission reductions up to -55% by 2030, burden-sharing between ETS and non-ETS sectors will be determinant for future trajectories.** It is high time to develop a holistic and non-discriminatory decarbonisation strategy across sectors: the most cost-efficient emission reduction policies must be identified and the relevance of a scope extension of the EU ETS needs to be assessed while taking into account differing circumstances and starting points in Member States. Currently, the EU ETS covers around 45% of the EU's greenhouse gas emissions in a tightly regulated framework which can be adjusted to match new levels of ambition. This adjustment will need to be carefully analysed in terms of impact, scope, effectiveness and timing. Higher transition costs should be proportionally covered by the external financing instruments dedicated directly to the energy-sector in Member States with different starting points. While the electricity sector is committed to decarbonise, it is at the same time of utmost importance to tackle emissions from sectors outside the EU ETS, specifically in heating & transport, where emissions have been decreasing at a slower pace or even increasing. Promoting electrification is both an opportunity to reduce emissions in heating & transport and increase the share of emissions covered by the EU ETS.
- 7. Timing is of utmost importance.** While adequate assessments are a prerequisite, rapidly taking decisions and early implementation of the corresponding measures is important to avoid the higher the societal costs arising from delaying abatement measures.
- 8. Build an EU industrial strategy which supports climate ambition, establishes EU leadership and preserves competitiveness.** In order to deliver a climate-neutral, competitive economy, industry has to be part of the solution. The Green Deal should therefore enable European industries to take global leadership in developing, scaling and delivering cost-competitive & sustainable technologies and business models. **Scaling up financial support to climate action** in the Multiannual Financial Framework, Invest EU and streamlining structural funds and cohesion funds will also be critical. This strategy should bind together financing, innovation, direct & indirect electrification, digitalisation, circular economy and decarbonisation. European leaders should also engage beyond Europe's borders, encouraging international partners to support these values and principles.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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