

# Impact of COVID-19 on the Electricity Value Chain

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Eurelectric recommendations

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.

Electrification & Sustainability Committee  
Generation & Environment Committee  
Markets & Investments Committee  
Distribution & Market Facilitation Committee  
Customers & Retail Services Committee

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## HORIZONTAL RECOMMENDATIONS

- Prioritise and accelerate low-carbon infrastructure projects in national recovery plans to recuperate registered delays and achieve climate goals set at the national and EU levels. Such projects will bring direct benefits to local economies and act as catalysts for the economic development of other EU strategic initiatives, such as those on clean mobility, solar and wind energy, and batteries.
- Ensure a robust EU ETS system, with the Linear Reduction Factor (LRF) and the Market Stability Reserve (MSR) as the two main policy tools. Their parameters will require reassessment in light of the upcoming 2030 target increase and expected MSR review.
- Monitor and address potential risks of shortage in the supply chain with regard to critical materials and components, as well as potential shortage of skilled workforce (i.e. construction and maintenance);
- Take appropriate measures given the significant impact that lower electricity consumption and power prices have on the balance sheets of energy utilities and on their long-term ability to invest in the energy transition. While those are part of market risks, the EU and national authorities should be aware of this impact and act accordingly.

## Committee-specific recommendations

### Electrification & Sustainability

- Prioritise a system-wide approach towards electrification of buildings and transport as a part of the upcoming Renovation Wave initiative;
- Ensure that digital skills and technologies are recognised as key enablers for a socially responsible digital transition. This would require both equipping new entrants to the labour market with the right skills and providing access to adequate reskilling and upskilling for experienced employees.

### Generation & Environment

- Guarantee that a long-term schedule - anticipating the expected allocation of support for the deployment of renewables - is published, in order to ensure visibility and certainty for investors;
- Establish a swift process ensuring that operators are given sufficient time to comply with the emission limit values in their permits and/or requirements of the Industrial Emissions Directive (IED). Delays in refurbishments could lead to certain sites not being able to fulfil these requirements on time.

## **Markets & Investments**

- Make sure that the regulatory framework is more conducive to capital-intensive investments in carbon-neutral generation, in particular including more long-term arrangements. Otherwise, there is a risk of lock-in related to fossil fuels and the carbon neutrality goals for 2050 would become more challenging to reach.

## **Distribution & Market Facilitation**

- Preserve and increase the investment capacity of DSOs to ensure the timely infrastructure deployment (i.e. smart meters roll-out, renewables and charging stations connection, grid modernisation and maintenance works) thus supporting the entire industrial value chain (suppliers, manufacturers, subcontractors);
- Alleviate the financial strains and regulatory limits put on DSOs in order to maintain investment and operation capacity at the pace of pre-pandemic levels and allow them to envisage a higher level of investments;
- Take regulatory measures to recognise the increased capital risk borne by DSOs due to delays of payment deadlines granted to businesses, and ensure the solvency of the entire electricity system;
- Streamline and fast-track access to the EU funding instruments for distribution infrastructures to alleviate the increase of credit financing costs and decrease costs for taxpayers.

## **Customers and Retail Services**

- Establish government support schemes to enable customers to pay their electricity bills and thus reduce the impact of bad debt on companies;
- In places where prohibition of disconnection and payment plans have been put in place:
  - Create specific funds through the state budget that can relieve the financial and economic burden from suppliers through advanced payments and bad debt compensation;
  - Postpone payments due by suppliers for taxes, levies and grid charges until bills have been paid;
  - Design a mechanism to recover the excess bad debt linked to the current crisis throughout the system over time.
- In case of default of existing suppliers, make sure that the costs for the system can be recovered without endangering other suppliers and generating a systemic risk.

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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