

EU-UK Trade & Cooperation agreement

Eurelectric reaction

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.

Eurelectric welcomes the completion of the significant Trade & Cooperation Agreement (TCA) on 24th of December 2020 between the EU and the UK, where energy & climate are recognised as an essential space for future cooperation. In particular, Eurelectric welcomes the commitment to **continued non-discriminatory regulatory frameworks**. The continued transparent functioning of TSOs, maintenance of independent regulators, and market monitoring also represent valuable inclusions.

Eurelectric looks forward to active engagement on the future evolution of the TCA, and in particular the following areas:

- **Stakeholder's participation:** Eurelectric welcomes the creation of the Specialised Committee on Energy and the Forum on North Seas Energy Cooperation. These entities will directly contribute to mutual coordination on energy related topics. Beyond these new structures, cooperation with the industry should also be ensured regarding offshore risk and safety, or on standards. Regular consultation will ensure that the expertise and knowledge of the industry is taken into account during the future implementation of the agreement.
- **Trading & interconnection:** The new Specialised Committee on Energy will have a significant role to play in the future cooperation between TSOs in terms of electricity trading. As the agreement aims to ensure the efficient use of interconnections and reducing barriers to trade, Eurelectric would urge both parties to work quickly and efficiently on the development and implementation of new trading arrangements which need to be completed by April 2022. We would ask that relevant stakeholders such as Eurelectric be consulted on and involved in this work, considering our interest in this matter and our level of expertise. Eurelectric also stands ready to work on and contribute to the discussions relating to capacity allocation and congestion management at the day ahead stage.
- **Carbon markets:** Eurelectric sees the provisions on ETSs as a positive inclusion, in particular, the serious consideration expressed in the text of linking the UK and EU ETSs. This is the most effective way of maintaining the integrity of, and confidence in, Europe's carbon market and to demonstrate the EU and UK's common commitment to tackling climate change.

To ensure the integrity and stability of the carbon markets on both sides, clarity would be welcome on the timeline for linking the ETSs and on the potential for an ETS link to cover the 2021 compliance year. If a link is not possible for the 2021 compliance year, then agreeing a link for the 2022 compliance year early in 2021 would still be a good outcome, minimising the time spent with two separate carbon markets.

Eurelectric is keen to get involved in these discussions as soon as feasibly possible as this is a very important matter to our members, with many operating in both markets.

- **Recognition of UK commodity exchanges under EMIR:** Eurelectric shall underline the need for derivative contracts executed on a UK exchange to be considered equivalent to contracts executed on an EU regulated market according to EMIR Art 2a, as in the past concerning the Chicago or Singapore stock exchanges. Without a decision on equivalence, derivatives traded

on UK exchanges will be considered as over-the-counter (OTC) derivatives according to EMIR. This causes challenges for energy entities whose main liquidity takes place at trading venues such as ICE Futures Europe with gas and emission allowances. Hence, it could imply exceeding EMIR's clearing threshold and would lead to new clearing obligations and disrupt their business model.

- **Mutual cooperation:** Eurelectric strongly supports the creation of a specific forum for technical discussions to build on the current North Seas Energy Cooperation, in relation to offshore grid development and the large renewable energy potential of the North Seas region. Eurelectric now awaits more details on the concrete functioning of this new mechanism, which should aim to ensure efficient cooperation on important projects such as the development of interconnectors and windfarms, as well as developing compatible equipment and standards.

The provisions related to technical cooperation between regulators are also an essential part of our future cooperation. Further discussions on this topic should aim to allow both parties to benefit from each other's expertise in the transition to a low carbon energy system.

In conclusion, Eurelectric welcomes this agreement as a solid legal framework for the future EU-UK relationship in the energy sector. We now encourage both parties to use this tool as a basis for the construction of a long-term partnership, allowing for efficient cooperation to face the energy transition and decarbonisation challenges.

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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