

“Fit for 55”: EU carbon neutrality by 2050 and an enormous opportunity for all Europeans

Eurelectric high level statement

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
Customers & Retail Services Committee
Distribution & Market Facilitation Committee

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2030 is a major milestone towards the carbon neutrality of the European Union. With the 'Fit for 55%' legislative package the European Commission has set the direction for the most ambitious, all-encompassing, transition of Europe's economy for the next decade and beyond. Eurelectric is a vocal supporter of the accelerated energy transition, leading the charge in decarbonisation and promoting cost-efficient decarbonisation & electrification across Europe.

The power sector sees the Green Deal and the Fit for 55% package as a social, industrial, and strategic opportunity for all Europeans. In this regard our sector explicitly endorses this acceleration, while working hard to deliver a sustainable and cost-effective energy transition across EU Member States, benefitting all businesses and consumers, creating jobs, and supporting communities in their energy transition.

A major opportunity – and challenge – for the power sector

The new package presents major opportunities, but also significant challenges for the power sector – and for other energy using sectors looking to accelerate their decarbonisation. Eurelectric and its members stand ready to deliver on this necessary ambition and call on all policy makers – EU and national – to recognise and address the barriers to this bold pathway. **Consequential and prompt action addressing these issues is a critical precondition for the transition to be achievable within the required timeframe.** It is commendable that many key obstacles are directly in the scope of the proposed "Fit for 55%" package. However, it is essential to acknowledge that several critical enablers are not (or not sufficiently) on the agenda. Eurelectric will actively and constructively engage in all relevant policy debates on this package while also calling for issues not currently covered to be addressed. Our sector has identified four such indispensable areas.

1. Electrification – the catalyst for high ambition

We must make direct electrification of end uses the golden thread that connects the decarbonisation package, with indirect electrification playing a role where needed. Electricity will shape the new cross-industry ecosystems that deliver the energy transition. It will leverage the power of modern, carbon neutral, and electrified technologies that also reflect growing customer demand: especially for e-mobility, electric heat pumps and renewable energy. The present trend of electrification is too slow with a stagnation in electricity's share of EU energy demand since 2014. We call on the Commission to:

- Endorse sectoral provisions that prioritise the direct and indirect electrification that will drive decarbonisation and streamline policies that electrify end-use sectors in a way that is synchronised with a scaling-up of renewable power generation. This includes an ambitious development of charging infrastructure on roads and in buildings, the availability of which has become a roadblock for customers to invest in e-mobility.

- Advance the revision of energy taxation so that electricity is no longer discriminated against other fuels and consumers are enabled to efficiently manage their energy consumption.
- Modernise the power system to deliver flexibility from electricity end users by supporting digitalisation, especially in buildings.
- Reinforce infrastructure: improve and streamline permitting procedures for new electricity capacities; ensure buildings have charging infrastructure; unlock investments in distribution grids.

2. Markets & Investments – frameworks for acceleration

Predictable, long-term, stable, transparent, and market-based frameworks are needed to ensure the necessary investment in renewables, carbon neutral energy sources and key transition enabling technologies such as storage, Power-to-X, and demand side flexibility assets while addressing the security of supply challenge. In this regard, it is essential that the full range of technologies contribute to carbon-neutrality. We call to:

- Implement the Clean Energy Package to ensure a well-functioning, fully integrated power market at the heart of the European energy system.
- Keep a robust EU Emissions Trading System (EU ETS) and cost-efficient carbon pricing as a core instrument to reach increased climate ambition in covered sectors. Different starting points of Member States with additional funding needs should be taken into consideration in the spirit of solidarity. At the same time, adequate measures to eliminate undesired overlaps between the EU ETS and sectoral policies need to be in place.
- Assess the impact of the energy transition on power markets, prices, revenue distribution, and system adequacy and upgrade power market design to achieve a sustainable net zero power system.
- Where needed, foster additional risk-hedging instruments that provide long-term price signals for investments in carbon-neutral generation and transition enabling technologies. Remove, in particular, political and/or regulatory interventions that form major hurdles to delivering necessary long-term investment.

3. Permitting – accelerate the deployment of renewables as ambition requires permission

In line with increased CO₂ emission reduction targets, Eurelectric acknowledges that much higher shares of renewables will be needed. At this time, the potentially most prominent bottleneck to rolling out huge amounts of new capacity and essential infrastructure is slow and complex permitting processes. The reasons for this are manifold depending on the complexity of the project, high number of statements and objections raised at different stages, lack of administrative and human resources for national and local authorities, workload of court-appointed experts, commissioning of new experts, as well as new expert reports during proceedings or standstills.

It is high time to reconcile the policy framework on permitting processes, national resources allocated to it, and environmental goals to achieve the Green Deal objectives. Radical changes might be necessary.

- Implement the simpler permitting rules quickly from the previous revision of the RED, this is essential but much more is required.
- Revise processes fundamentally, including accelerated permitting for climate critical infrastructure. Grid operators shall benefit from the same fast and simplified procedures when realising grid modernisation projects, new RES connections and adoption of new smart grid technologies.
- Coordinate spatial planning and permitting processes urgently for generation sites, grids, and related project infrastructure. Further contribute to a more balanced and cost-effective approach with determined “RES priority zones” and a “fast track” for grid connections.
- Accommodate both the local impact of projects and their emission reduction role. Climate and biodiversity targets must therefore be reconciled – inspiration might be found in the US, where such a compromise between stakeholders was agreed and formalised.
- Make the best use of the potential of hydropower – a dispatchable and flexible renewable technology.

4. Distribution grids – backbone of the digital and energy transition

To deliver on the proposed political targets, over 500 GW of renewable energy will need to be added to the system by 2030, corresponding to about half of existing European capacity. 70% of this capacity will be connected to distribution grids, meanwhile, to get on track for decarbonisation, 40-50 million heat pumps and 40-70 million electric vehicles will be drawing on these same grids by the end of the decade.

Grids, in particular at distribution level, facilitate the energy transition and should be managed in a cost-efficient manner to successfully integrate distributed energy sources. To make European distribution grids fit-for-purpose in an increasingly decarbonised, decentralised, and digitalised power system investments need to increase by 50-70% over the next decade. These investments will unlock significant societal benefits while only marginally impacting the electricity cost per unit (ca 1.5%). The time has come to reverse investment’s declining trend. Europe has now reached a critical moment in which any delay to accelerated investment will mean a delayed transition for all Europeans. This means the EU must:

- Facilitate DSO access to EU funds and prioritise investments in distribution grids.
- Recognise the new, central role of DSOs in an integrated, electrified, energy system and promote a general EU framework for cybersecurity and data management.
- Address the lack of comprehensive legislation on flexibility by developing roles, smart infrastructure economic signals, transparency of DSOs and TSOs and information exchange procedures vis-à-vis market participants.
- Review and subsequently modify existing distribution network tariffs, with relevant impacts on network users to incentivise efficient use of the grid and allow non-distorted market access. The involvement of DSOs and market parties in this process is of paramount importance.

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

Economic Development

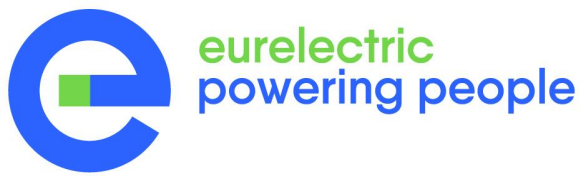
- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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