

Mr. Frans Timmermans
European Commission Executive Vice-
President
Green Deal

Ms. Kadri Simson
European Commissioner
Energy

21 February 2022

Dear Executive Vice-President Timmermans,

Dear Commissioner Simson,

The lasting energy price increases raise acute questions on the EU's energy future and transition pathways. This situation signals that reducing fossil fuel dependency is a matter of geopolitical importance. The main tools to achieve this are well identified in the Fit for 55 Package: accelerating the decarbonisation of electricity generation, coupled with electrification of buildings, transport and industry. But this is not happening fast enough. The EU is far from the necessary installation rates outlined by the Commission in its long term scenarios. In particular, measures to address permitting in an effective way are absolutely necessary in the short term.

Meanwhile, it is obvious that vulnerable citizens should be protected in the best possible way from peaks in energy prices. Relevant options to achieve this goal include addressing taxes and levies on the electricity bill, which is now being implemented in a number of Member States. It also includes exploring longer term supply contracts which allow suppliers to plan ahead and to cushion price variations for consumers.

Back in October, the power sector welcomed the European Commission's Communication on Energy prices and the proposed Toolbox. Ahead of the forthcoming March Communication on this matter, the EU power sector is extremely worried and strongly cautions against giving way to so-called claw back measures. Such measures heavily damage investor confidence and jeopardize trust in the EU integrated electricity market. Indeed, there is no shortage of funding for renewable and low emissions investments, but there is a growing shortage of confidence in the stability of the regulatory framework and in the stability of tax policies.

Today, short-term optimization and the current power market design based on competitive and transparent marginal pricing ensure secure and cost-effective electricity supplies to the EU industry and individual citizens. The continued integration of markets - across all timeframes, countries, energy sources and technologies will contribute to better absorb price shocks as we transition to a carbon neutral energy system.

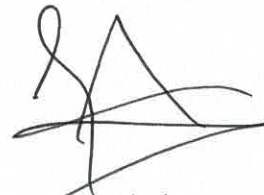
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But to restore investors' confidence, while we continue to focus on protecting consumers, we should do our best to improve the investment environment, including by promoting long term market signals needed for new generation and infrastructure investments as required by the EU's climate goals. It is also important to properly assess and address the challenges caused by extreme price volatility in the energy commodities derivatives market.

Finally, as the EU ETS constitutes a cornerstone of European climate policy, it is key that the EU does not undermine its hard-won credibility.

Eurelectric remains at the European Commission's disposal to discuss the upcoming proposals and find an effective way forward on this critical matter.

Best regards



Jean-Bernard Lévy
President of Eurelectric