

To:
EU Energy Ministers
EU Energy Attachés

10th of April 2024

RE: Empowering energy infrastructure to deliver the energy transition

Dear Ministers,

Eurelectric, the association representing the electricity industry, welcomes the discussion on the urgent need for smartening and reinforcing Europe's energy grid infrastructure and the fact that it is a key pillar of the ongoing Belgian presidency. Energy networks are the unsung hero of the energy transition, and with an estimated 70% of new renewable assets being connected at distribution level by 2030 (according to our study, [Connecting the Dots](#)), we have no time to lose in providing network operators with the tools and regulatory incentives to meet Europe's decarbonisation and energy security goals,

Unfortunately, the current regulatory and financial framework is insufficient for the necessary infrastructure delivery. However, what is more important to understand is why today's incremental approach doesn't fit a growing power system necessary to serve evolving societal needs. Regulatory models are predicated on the assumption of spare grid capacity, thus NRAs are historically chiefly preoccupied with preventing over-investment in order to keep tariffs as low as possible. In hindsight, this strategy has proved unsuccessful, as the curtailment costs are also charged to network users when additional generation can't be effectively fed into the system.

While there is growing concern about the volumes necessary to be invested in the grids, upwards of the € 1.7 trillion estimated by the 2040 Impact Assessment between 2031 and 2050, it is also important that you acknowledge that non-investment comes with its own price tag.

We thusly call on you to put on the EU's strategic agenda the following essential priorities:

- **Europe must strategically upsize our distribution grids, particularly through what the Commission dubbed as anticipatory investments. Expansion must go hand in hand with the deployment of grid-friendly flexibility.** In reality, in many grid areas we have a double whammy: the integration of distributed renewables and increasing loads is happening much faster and, at the same time, the grid reserve is becoming lower or even exhausted. Even if we push the pedal, expectations must be realistic. Investing in a forward-looking manner will help manage increased renewable generation and increased electricity demand in most geographies, but in certain areas congestion is a reality.
- **It is critical that we ensure sufficient capital flows towards strengthening the EU's electricity networks, where the uptake needs are expected to almost triple through 2050 from roughly 20 to 60%, by:**
 1. **Mandating National Regulators to ensure the grid business is competitive on capital markets**, by securing predictable and attractive financial conditions for all grid investments;
 2. **Mobilizing idle private equity in Europe and deepen the Capital Markets Union to boost private financial firepower**; and
 3. **Establish new funding tools at EU (and national) level – such as a Decentralized Grid Facility dedicated to DSOs – and improve access to different financing instruments and de-risking tools.**
- **Accelerate electrification to implicitly tackle affordability by spreading the development costs among more system users.**
- **Streamline permitting for grid build-out:** the inception of such facilitation is in the revised Renewable Energy Directive, but stronger measures are needed to synchronise the generation and grid build-out.
- **Secure access to critical materials and chemicals for the power system** through reasonable regulation based on robust risk assessments and addressing the risk of bottlenecks on the procurement side arising from significant investments needed in grid expansion, with developing sustainability concerns.

Yours sincerely,



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President, Eurelectric



Kristian Ruby,
Secretary General, Eurelectric