

Electrification, decarbonisation and more clean energy is vital for enhanced European competitiveness

Nordenergi reaction to the Clean Industrial Deal and Affordable Energy Action Plan

Overall, we welcome the European Commission's Communications on the Clean Industrial Deal and the Affordable Energy Action Plan. The Communications are quite balanced and represent continuity. Any market intervention, including state-aid, may hamper necessary development and innovation in the energy sector. The EU needs to assess the long-term impact off the measures on energy management systems, energy efficiency and the market for flexibility.

Furthermore, Nordenergi strongly believes that scaling down ambitions for the clean transition is not an option. The EU's transition to climate neutrality is our best strategy to create long-term prosperity in Europe with a resilient, competitive and well-prepared industrial base.



The Communications agree that future competitiveness will be built on a zero emissions system, around a better functioning internal market and in a technology-neutral way. We fully support this important and good starting point. We expect the Commission to soon suggest a 90% net emissions reduction target by 2040. The Commission also proposes a KPI of 32% electrification rate by 2030 and 100 GW installed renewable electricity capacity per year up to 2030. We welcome these initiatives, and look forward to forthcoming legislative proposals.



To bring down energy and electricity prices, it is proposed to use existing instruments such as PPAs and CFDs where these are deemed necessary. The European Investment Bank is highlighted several places with a role as a counterparty risk mitigator in various PPA arrangements. It is foreseen a pilot project related to this, which is very important to assess thoroughly before launching full scale. In this respect the EIB is better than using the individual member states as mitigators, and PPAs are a better instrument from a market perspective than CFDs.



We strongly support the aim to increase the pace of investments and further speed up permitting. Lack of clean investments and unbalanced supply and demand are key drivers for high energy prices. There is also a need to speed up investments into hydrogen infrastructure to ensure decarbonisation processes in hard to abate sectors.



There is a willingness to use EU funds for cross-border networks and thus market integration, and the Connecting Europe Facility is seen as a key tool for this. This is a good signal for an integrated market. In addition, we expect that cross-border capacities will be better used in the future and that TSOs will invest congestion revenues more effectively to remove bottlenecks between price areas.



The Commission wants to see more competition in the retail market. This is a very good objective. In practice this means implementing the EU's electricity market rules in the Member States. In the Nordic countries, implementation is mostly already in place, and we are happy to share our experiences. However, there is a slight contradiction where the Affordable Energy Action Plan aims to eliminate price risks and volatility, while at the same time promoting flexibility.



The Clean Industrial Deal promises to create demand for clean products, circular economy solutions and raw materials. For captured and recycled carbon, this will be considered at least as part of the reform of the Emissions Trading System. It is very welcome that the Commission plans to create an EU wide market for such products and is considering market-based instruments such as EU ETS. For the sake of competitiveness, it is important to let such industries locate where they have energy, raw materials and other assets available with as competitive terms as possible in the EU.



We see worrying tendencies towards acceptance of fossil fuel subsidies. In many parts of Europe there is a lack of public and political acceptance of energy production and grid projects. In many cases, this is a bigger obstacle for clean transition than permitting. Trust in the functioning of the market is also weak in some parts of the Europe, and this is often cultivated by politicians. Distrust is fuelled by a favourable attitude towards intervention or support for fossil fuels over clean solutions. One such example is the Iberian mechanism, which heavily subsidised the use of natural gas for electricity generation in the Iberian Peninsula to reduce electricity prices during the region's energy crisis. We strongly oppose such mechanisms that hampers investments into renewable energy, energy efficiency, and flexibility solutions. It could also lead to gas shortages if several countries use the same mechanism.



Electricity grids are highlighted from the perspective of grid component manufacturing and in the Affordable Energy Action Plan as key element towards affordable energy. It is very important to highlight the need for electricity grids, but the context is challenging. To achieve our climate targets, the level of investments in electricity grids must nearly double. At the same time, it is very difficult to bring prices down significantly by modified or harmonised grid tariffs. Therefore, the promise of lower electricity network charges is too simple. The focus should be on the overall energy costs, not only electricity costs and grid tariffs. We have strong reservations about establishing more harmonised European grid tariff structure and would rather welcome an assessment of best practices around Europe.



The Communications make frequent reference to the new State Aid Guidelines and our main concern is lax state aid policy in coming years. Changes would be largely based on derogations introduced during the crisis, made more permanent. There is significant risk that a proportion of aid will be diverted to support existing and commercially available technologies, in addition to aid for new technologies. Subsidies still appear to be based on selected technologies, not on the positive impact of different technologies. In the worst case, loose promises of EU or national aid for mature technologies may lead investors to slow down investment in economic renewal. They may do so in the hope of receiving state aid, or out of fear that competitors who invest later will receive it.

We agree that the EUs objective must be global competitiveness. We support the goal to create the cleanest and most sustainable continent. Better designed carbon border adjustment mechanism, trade agreements and partnerships are correct instrument to ensure that European standards are globally recognised and rewarded.

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Nordenergi is the joint collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Swedenergy, Green Power Denmark, Renewable Norway, Finnish Energy and Samorka. Overall, Nordenergi represents more than 2,000 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas and services. For more information regarding Nordenergi please visit www.nordenergi.eu. EU Transparency register number: 85161125283-02.