

Eurochambres' perspective on the electricity market design

The chamber network supports the Commission's initiative to update the electricity market design, emphasizing renewable energy expansion and resolving energy market bottlenecks. Instead of a temporary crisis fix, the reform should build a robust, future-proof market model that speeds up energy transition and copes with different energy mixes. It should be agile to adjust to new technologies and consumption changes, and resilient against potential energy crises.

However, while we are supportive of this reform, we feel it necessary to express our reservations about certain proposals put forth by the rapporteur in the ITRE committee of the European Parliament. These include the introduction of a cap on revenues of inframarginal generators and the rules concerning Contracts for Differences (CFDs).

We advocate for market interventions to be coordinated across the entire European Union, and to be limited in time. This is particularly relevant when considering proposals such as price caps and revenue skimming from inframarginal producers. It is our belief that the permanent inclusion of such measures in market rules could severely hamper the prospects for investment in clean energy. These could also yield severe negative consequences for the forward market, potentially disrupting the careful balance of electricity pricing, undermining market confidence and hindering the development of new technologies.

Regarding CfDs, it is essential to emphasize that the primary objective should be the cost-effective growth of renewable energy sources. Energy production facilities should be self-sustaining and strive towards minimal dependence on long-term financial assistance. Consequently, we stand against the compulsory implementation of CfDs for all new plants.

However if a CfD is applied, we firmly believe in the necessity of channeling all government-collected revenues back to the energy consumers, including energy intensive industries, companies and households, in a fair and clearly defined manner. If member states were to diverge in their methods of profit sharing, this could lead to a damaging fragmentation of the internal market, and create an environment of unfair competition between member states.

While we are in agreement with the overarching goal of the proposed electricity market reform, we strongly believe that it is essential for the reform to respect the principle of minimal market intervention. This is critical to ensure a stable and robust framework that will facilitate the energy transition. We therefore urge the European institutions to take these considerations into account in their deliberations, to ensure that the reforms provide a solid and sustainable foundation for the future of the European electricity market.

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