# EMD Reform: Ensuring affordable electricity for European industry's competitiveness and decarbonisation

**Joint Statement from the Alliance of Energy-Intensive Industries**

Energy-intensive industries (EIIs) provide direct employment to around 2.6 million people and represent the foundations of critical and strategic value chains for the EU economy and society. Our sectors provide materials which are indispensable for the energy transition and decarbonisation of EU's society;

European energy-intensive companies have been suffering from soaring energy prices, which threaten their short-term viability and risk widening the competitiveness imbalance with international competitors as explicitly recognised in the Commission Staff Working Document accompanying the proposal for reform of the Electricity Market Design[1] (SWD, pg. 5). **Furthermore, t**he new **JRC modelling study on merit-order and power price formation** dynamics in wholesale markets in 2022 and 2030 **confirms** that **fossil-fuels will keep setting the price at least beyond 2030** and that the price-lowering effect of renewables will not materialise in the current decade[2]. **The higher $CO_s$ prices will continue to drive prices upwards. At the same time, the latest** 2030 State of the Energy Union reports that the electricity price gap between EU manufacturers and global competitors such as US and Asia is increasing to the disadvantage of European industries, including the cleantech value chain.[3] **We, therefore, urge the EU institutions during the EMD trilogue negotiations to address the competitiveness gap vis-à-vis regions with lower energy prices, also to facilitate the transition to climate neutrality, which relies critically on the availability of globally competitive renewable and low-carbon electricity** – key conditions for energy-intensive industries to continue producing, decarbonizing and investing in Europe while competing globally. Against this background, the Alliance of Energy Intensive Industries **submits** to the EU negotiators **our** recommendations concerning each of our outstanding policy asks:

- **The EMD reform proposal should be the stepping stone for an in-depth and comprehensive impact assessment of the power market's ability to deliver predictable and globally competitive electricity prices to the overall EU economy** – securing in this way both the competitiveness of EU energy-intensive industries and welfare of its citizens while achieving a resilient and competitive climate neutral economy.
  - Supports the European Parliament's proposal under Regulation Art.69(2) conferring the task to the European Commission to conduct a comprehensive assessment of

[1] European Commission, Staff Working Document, Reform of the Electricity Market Design (SWD [2023], 58 Final) page 5
[2] Gasparella A., Koolen D., and Zucker A., Joint Research Centre, "The Merit Order and Price-Setting Dynamics in European Electricity Markets", JRC134300, 31 August 2023
[3] European Commission, Report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, State of the Energy Union 2023, COM(2023)650 Final, pg. 27

the Union electricity markets regulatory framework to enable a power market which delivers cost-reflective prices by, at the latest, June 2026

- Support the European Parliament's proposal under Regulation Art.69(3) conferring the task to the European Commission to submit a report assessing options for introducing a temporary relief valve mechanism accompanied by a legislative proposal by June 2024

- **Solutions aimed at alleviating the impact of high electricity prices in times of electricity price crises should be applied also to energy-intensive industries** and applied uniformly across the EU market to preserve its integrity and certainty.
  - Endorses the European Parliament's proposal under Directive Art.66a to allow Member States **to adopt short-term relief measures** as well for energy-intensive industrial consumers in times of *declared* Union electricity prices crisis.
- **We support the roll-out of additional renewable energy.** In setting the pace of that roll-out, however, **the EMD reform should engage in a realistic assessment of the speed of integration of renewable capacity into the power system**, considering system adequacy, flexibility as demand response and storage, permitting, and public acceptance challenges. With dispatchable energy in the European Union being reduced[4], **due attention needs to be paid to the continued security of supply to be ensured in a technology-neutral manner**.
  - Supports the Council's proposal under Article 2 for a technology-neutral definition regarding a 'peak hour'.
- The EMD reform proposal lists several investment incentives to achieve the EU's decarbonisation objectives and to address electricity scarcity; amongst these are the PPAs and CfDs. **The reform shall dedicate proper attention to the design and interaction of market-based and aid instruments to avoid undue pricing distortions and a crowding out of market-based contracts through aid schemes** while ensuring affordability of consumption.

  Concerning Regulation Art.19a on Power Purchase Agreements:
  - Calls upon a compromise text between Council and European Parliament proposal under Regulation Art.19a(1) to strengthen national governments efforts to facilitate the uptake of PPAs in end-use sectors **by removing the various existing barriers to signing PPAs, in particular SMEs and energy-intensive industries.**
  - Supports the Council's proposal under Regulation Art.19a(2) on instruments to reduce the financial risks associated with off-taker payment default, including guarantees and facilities pooling demand for PPAs. At the same time, **addressing off-taker payment default should not come at the expense of addressing other barriers to PPA up-take**, such as creditworthiness as well as high shaping/firming costs, which are of relevance for energy-intensive consumers.
  - Generally supports the European Commission's proposal to allow renewable generation projects financed via CfDs to reserve part of the energy output to PPA's off-takers by art.19a(4) **provided that it remains within the margin of discretion of**

[4] Hydropower -30% in Italy in 2022 compared to last five years average, France -20%, Spain – 29% and nuclear 17% lower in 2022 compared to 2021 (due to maintenance and closures).

**Member States and minimises overall system and energy costs line with the EU State Aid Guidelines on Climate, Environmental Protection and Energy [CEEAG].**

Concerning Regulation Art.19b on Contracts for Differences:

- Endorses a compromise between the European Parliament's and the Commission's proposal under Art.19b(3) expressively allowing revenue redistribution also to cover energy-intensive industries exposed to carbon leakage on top of vulnerable customers and those exposed to the risk of energy poverty

- Furthermore, **the EMD reform needs a stronger focus on a robust build-up and increase of transmission capacity** to facilitate cross-border trade and the integration of renewables.

We remain ready to engage with the Commission, Parliament, and Member States to achieve successful outcomes for European Energy Intensive Industries and our many stakeholders across European Society.