



The Electricity Market Design reform from the perspective of industrial consumers: 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 Design¹ (SWD, pg. 5).

We therefore urge the EU institutions to address the competitiveness gap vis-à-vis regions with lower energy prices, also with view to facilitating the transition to climate neutrality, which relies critically on the availability of cost-competitive renewable and low-carbon electricity – key conditions for energy intensive industries to continue producing, decarbonizing and investing in Europe while competing globally.

Climate goals must be achieved through investments and innovation in Europe instead of de-industrialisation and leakage of emissions, jobs and investments to third countries.

We support the medium-long term objectives of the proposed Electricity Market Design (hereinafter as EMD) reform inasmuch as they aim to improve power purchase agreements, system flexibility, as well as ensuring adequacy. However, the immediate critical imperative is to weather the ongoing high wholesale electricity price crisis and avoid structurally further crises in the future. The proposed long-term framework will only work if the short-term framework exists and delivers.

¹ European Commission, Staff Working Document, Reform of the Electricity Market Design (SWD [2023], 58 Final) page 5

Our sectors ask that:

- **The EMD reform should have a holistic approach pursuing the objective of energy affordability as precondition for bolstering the competitiveness of EU industry and of the clean-tech value chain, as industrial consumers are a significant segment of the electricity sector.**
- **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 cost-reflective 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.
- **Solutions aimed at alleviating the impact of high electricity prices in times of electricity price crises should be applied beyond SMEs also to energy-intensive industries, and applied uniformly across the EU market to preserve its integrity and certainty.**
- **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**, in light of system adequacy, flexibility as demand response and storage, permitting and public acceptance challenges. With dispatchable energy in the European Union being reduced², due attention needs to be paid to a continued security of supply to be ensured in a **technology neutral manner**.
- The EMD reform proposal lists a number of investment incentives to achieve 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 in order to avoid undue pricing distortions and a crowding out of market-based contracts through aid schemes**, while ensuring affordability of consumption.
- In the same context, **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.

² 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).