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Nordenergi on the RePowerEU plan: Keep the electricity market in operation and speed up investments in clean energy

EU's integration is increasing through crises. This is happening once again with the war in Ukraine. While Europe is facing major challenges, we are not yet able to grasp the full impact of the war. Nevertheless, it is evident that a strong European cooperation is needed more than ever.

The Nordic electricity associations request a unified EU wide response to the crisis as well as solidarity in the current situation. At the same time, we strongly support the competitive internal market for energy. Despite the energy crisis, the functioning of the energy market and price signal are essential in facilitating investments in the energy production, energy savings, energy efficiency and demand side flexibility. All vital factors in order to also mitigate the parallel crisis – the climate crisis.

Nordenergi suggests prioritizing the following tools:

- Improve conditions for investments in clean energy through allowing the market to operate
- Speed up permitting processes for clean energy and infrastructure projects.
- Secure the situation for vulnerable customers through national support mechanisms
- Joint effort of public and private investments through existing measures rather than inventing new instruments.
- Follow the recommendations made by ACER in their recent study
- Speed up investments in cross-border infrastructure

Nordenergi advice against the following measures:

- Regulated price or price caps for electricity market – neither for retail nor wholesale markets
- Changes to electricity market design in the middle of the crisis
- Windfall taxes or clawback mechanisms for electricity production

Speed up investments in all clean technologies

The key to decoupling from fossil energy imports from Russia is to improve the conditions for investment in clean energy, infrastructure and energy efficiency.

Currently, slow permitting processes for energy installations and the infrastructure they require, are the worst bottlenecks for investment in Europe.

Different technologies have their role to play in the transition and therefore it is essential to enable all clean investments.

Ensure much-needed investment certainty

Several factors supporting clean investments are already visible. Firstly, there is money in the market. Secondly, the emission and electricity prices both indicate an obvious need for new clean electricity investments. Thirdly, the long-term prospect of electrification of society is clear. It is therefore crucial to get the investments moving. In this respect, policy makers should be careful that trust on these factors remain.

ACER recently published a long awaited analysis on the electricity market model and price formation.¹ The main message from ACER is clear: the current market design is worth keeping. Earlier ESMA published a study on the functioning of the EU emission trading scheme, giving the same message.² We encourage to pay careful attention to the messages from these institutions.

A functioning electricity market and the price signals it provides, should be secured especially in times of crisis and post-crisis. If the electricity market model is changed dramatically or price regulation is introduced this will create uncertainty slowing down market-based investments. Investments threatens to stall not only in clean electricity generation, but also in energy efficiency and demand-side flexibility.

Some member states have proposed introduction of so-called windfall taxes at national level. Such taxes, even on zero emission generation, would be highly detrimental to investment security and to the development of internal market. The Commission has set conditions for taxes and stated that they should be temporary - this must be strictly adhered to if taxes are introduced in some member states.

Public funding may complement private investments

In the two previous crises (the 2008 financial crisis and the 2020 interest rate crisis), the EU took joint economic actions to mitigate the effects of the crisis and showed solidarity. Now, it should be noted that many existing programmes are already funding the energy transition. These include the Next Generation EU, the Social Climate Fund, and the revenues of the Emissions Trading System that will be made available through various routes.

When considering energy, it should be more appropriate to use and redirect these existing sources of money rather than inventing new instruments. When public funding is available, it should be primarily directed to infrastructure investments and speeding up technology development.



¹ <https://www.acer.europa.eu/events-and-engagement/news/press-release-acer-publishes-its-final-assessment-eu-wholesale>

² <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-its-final-report-eu-carbon-market>