

Nordenergi calls for a more cost-effective energy transition to enable a European clean industrial deal

Nordenergi is the collaboration between the Nordic energy associations Finnish Energy, Green Power Denmark, Renewables Norway, Samorka and Swedenergy.

Nordenergi calls for European policies in the energy sector that secure achievement of our ambitious climate agenda, and at the same time enables a new clean industrial deal for Europe. We welcome the conclusion in the Draghi-report on the Future of European Competitiveness to "keep the marginal pricing system to ensure the efficient balance of the energy system", and the focus on the internal market as the key driver for European competitiveness. Marginal pricing ensures appropriate investment signals in new production and the efficient use of resources, thereby providing signals for the need of flexibility both on the supply and the demand side. We also welcome the proposal in the Draghi-report to facilitate the use of long-term contracts (e.g. PPAs and two-way CfDs) to make it possible for industry to limit fossil fuel commodity price variations on electricity prices.

The price and availability of energy is central to a competitive future. This requires strong incentives to invest in renewable, clean and affordable energy, investments in the grid, and a well-functioning operation of the internal energy market. Incentives must aim at securing a cost-efficient transition through improved competition in an integrated market. There are three main aspects to be considered.

1. Incentives to invest in renewable, clean and affordable energy

The best way to achieve a more competitive energy systems is to unlock investments in new production storage and flexibility assets. The European energy sector is ready to deliver its part by producing more renewable and clean energy.

Nordenergi asks EU policy makers to:

- Enshrine the suggested 2040 climate target of a 90% emission reduction into the EU climate law.
- Speed up implementation of energy legislation, such as the renewable energy directive, particularly the strict time limits for permitting.
- Review the current EU-cap for energy consumption in the Energy Efficiency Directive, to ensure that the industry can transition through electrification.
- Address issues related to negative prices
- Ensure a framework to increase incentives for more private investments into energy projects
- Enable investments in different technologies by removing legislation which limits competition between them.
- Work to improve public acceptance of deployment of more renewable energy.
- Continue work to revise the energy taxation directive and reduce taxes on clean energy in line with the Draghi-report.
- Reduce administrative burden on businesses, hereunder reassess reporting and compliance obligations.
- Facilitate joint schemes for flexibility procurement and renewable energy auctions across borders.
- Ensure that EU-funding is limited to new technologies with neutrality, R&D-projects and large-scale commercial demos, that tackle climate change and resiliency.

2. Strengthening investments in grid infrastructure

Sufficient grid capacity is necessary for the energy transition in Europe. Hence, the regulation must provide sufficient incentives for grid investments to rapidly keep up with the drastically increasing demand for capacity that we are now seeing.

Nordenergi asks policy makers to:

- Ensure that there are incentives and funding to accelerate investments both in terms of grid reinforcement and renewal, digitalisation, and cross border interconnectivity.
- Ensure that anticipatory investments in grids are made functional for all sizes of DSOs and that regional implementations are allowed, including ensuring that benchmarking is not affected negatively by default.
- Make sure that TSOs invest the bottleneck revenues generated by price differentials to remove these bottlenecks.
- Similarly to the requirements in the renewable energy directive, introduce time limits for permitting procedures for grids, establish "one stop shop" for permitting, and introduce the principle of grids being an overriding public interest.
- Introduce a dedicated cross border fund for energy infrastructure and increase the funds made available through the Connecting Europe Facility (CEF).

3. Ensuring a well-functioning operation of the energy market

Nordenergi would like to recall that the European energy market survived the difficult period in 2022-2023, caused by the war in the Ukraine. No blackouts or rationing of energy were observed. Nordenergi has welcomed the improvements of the market introduced as part of the Repower EU-package in 2022-2023 and the revision of the electricity market design rules that entered into force in July 2024. Further strengthening of competition in the market is needed.

Nordenergi asks policy makers to:

- Ensure political commitment to the market-based price-setting mechanism.
- Facilitate the use of long-term contracts (e.g. PPAs and two-way CfDs) to make it possible for industry to limit fossil fuel commodity price variations on electricity prices.
- Ensure free competition while working towards eliminating state-aid schemes and price regulation within the energy sector.
- Ensure that the contribution of all flexibility, including demand response and storage services, including stored hydropower, to security of supply, is valued and remunerated.
- Enhance policy harmonisation in terms of auction schemes. Rules for pre-qualification and use of qualitative criteria should allow for innovation, scale, and cost-reduction.
- Ensure that existing cross-border capacity is made available to the market and that the EU enforces existing rules more strictly.
- Ensure access to voluntary long-term hedging opportunities for all market actors

Nordenergi looks forward to cooperating with European policy makers. We should aim to achieve both the transition into climate neutrality and improved industrial competitiveness through an industrial deal. Our focus must be on increased renewable and clean energy production, a strengthened grid infrastructure, and a well-functioning internal electricity market.

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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.



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