

EU Energy Policy

*Realistic targets are needed to achieve
a competitive and sustainable energy ecosystem*



- The EU is the first economy to have started translating its climate goals into concrete legislative steps.
- Achieving climate neutrality by 2050 will require extraordinary efforts from the business community and society at large. To avoid drastic economic and social consequences, EU energy policy must be realistic and help to achieve the climate goals without undermining the competitiveness of European companies.
- The EU has to work towards its ambitious climate objectives, while ensuring the stability and security of energy supply at a cost that is affordable to businesses and citizens. The key to stability is to work on both the EU's energy autonomy and solidarity among its members.
- The EU's public investment in R&D&I in clean technologies is still very low and needs to speed up in order to ensure the swift rollout of renewables and low-carbon gases as well as capacities for storing electricity. Clean technologies, if produced in the EU, have the potential to reduce our very high dependency on energy sources imported from third countries.
- Despite their continuous growth, renewables represented only 15.5% of the EU's total energy mix in 2019. Before their full deployment, stable energy resources such as gas and nuclear energy will play a major role in responding to seasonal imbalances and to growing electrification needs.
- Member States must retain their right to determine their own energy mix and specific national circumstances must be taken into account when attempting to meet ambitious energy targets.
- We should focus on the overarching goal of decarbonising our economy and give businesses flexibility in deciding how to achieve the goal.
- Digitalisation opens up opportunities for savings in energy, reduction in energy intensity and better management of energy infrastructure. More synergies should be found within the twin transitions.
- On the international level, the EU has to find partners in order to establish common CO₂-pricing, pursue a multilateral approach to "climate dumping" and initiate investment in large-scale renewable energy production.

The EU energy transition: indispensable for a sustainable future, a risk for competitiveness

A successful energy transition is a must-have on Europe's path to a sustainable future. However, to remain competitive, the transition of the delicate energy ecosystem needs to take place at the lowest possible socio-economic cost and while guaranteeing technological neutrality. Changing the energy ecosystem to clean energy technologies while catering for growing electrification will require massive investment, public acceptance, a boost in R&D&I and a skilled workforce.

The political commitment to climate neutrality by 2050 cannot be realised without the necessary capital and the necessary investments from the public and private sector. Businesses call for stability and predictability in their investments and for the swift adoption of rules that set out environmentally sustainable economic activities. This is essential to give a clear signal to investors and to open up Member States' spending on public R&I in clean energy.

The energy transition will present a golden opportunity for some businesses and a serious challenge for others. Businesses investing in new clean energy sectors can certainly benefit from the growing market. However, companies in energy-intensive sectors will face the challenge of financing and replacing current resources and technologies, especially as certain green alternatives

are not yet available on the market. The transformation of energy infrastructure will be the key driver of this transition.

Weaning the EU off Russian supplies will require rethinking the cooperation with the EU's international partners, building up the autonomy of the EU's energy production and boosting solidarity among EU Member States.

What is needed for a successful energy transition?

The energy transition will require adapting the whole EU energy ecosystem, which has been developing for the last 200 years and is moving from centrally managed to local energy communities. One aim is to empower consumers to produce energy where it is consumed. This requires a change in energy infrastructure, regulation and the rapid deployment of clean technologies.

The energy price surge has revealed that Europe suffers from seasonal imbalances – high energy prices in winter caused by higher demand and lower prices in summer due to lower demand. Seasonality deepens dependency on imports from non-EU countries and renders the EU more vulnerable. The remedy can be found in increasing the share of the renewables and green and low carbon gases in EU's energy mix, together with stable sources as a back-up for seasonality and storage capacities, as well as innovation in storing electricity (making it possible to use in winter any energy unused in summer).

Another element is price-setting. Part of this is carbon pricing. During 2021, we saw the price of the EU's ETS allowances skyrocket. Targeted changes to the EU ETS and increased transparency should be considered. Businesses requiring allowances compete with financial institutions and intermediaries, as they emit CO₂ in the production process. Emissions trading should not become a marketplace for financial speculation but should be an incentive for decarbonisation.

The recent energy crisis demonstrated what happens when the European energy market can no longer guarantee the necessary



TO GO FURTHER:

- The EU must establish a regulatory framework that allows businesses of all sectors and sizes to innovate and create products and services without endangering technology neutrality, maintain our global competitiveness and intensify action at the global level. The European institutions must unconditionally assess the estimated impact of legislative proposals on the competitiveness of the EU economy.
- In order to implement clean technologies, businesses very much need administrative barriers to renewable energy services to be removed and permitting procedures to be accelerated. Obstacles deriving from legal frameworks must be eliminated.
- Completing the European energy market should be a priority.
- It is important for businesses that auction revenues from the EU's ETS are used for climate action and energy-related purposes. Targeted changes to the EU ETS and increased transparency should be considered.
- People with the right skills will be the key to success. Member States and businesses should not underestimate the human aspect in the green transition.

stability. Soaring energy prices put businesses under enormous pressure. It also became clear that more regulation might be needed for businesses that have not been operating competently. In other words, suppliers should be able to withstand price fluctuations in the market and not have to terminate contracts with consumers immediately. They must have a sufficient capital reserve and meet certain requirements.

Another crucial element for a successful energy transition is to ensure that there are people with the right skills. With employment in the clean energy sector growing by 2% each year, the lack of workers in this sector will become even more striking, with an accelerated green transition led by investment in renovations. Safeguards must be in place so that people with the right skills can swiftly enter the labour market.

TO BE AVOIDED:

- Unrealistic measures and overly ambitious targets would endanger EU competitiveness. Efforts already made by Member States as part of the decarbonisation process must be taken into account when setting new demanding targets, as these efforts make the next step harder.
- The EU has to decrease its dependency on energy imports, diversify international cooperation and work towards increasing both its energy autonomy and solidarity among EU Member States.
- A one-size-fits-all approach will not be appropriate: The different starting points of the Member States must be taken into account and market-compatible instruments must be preferred over compulsory measures.