



Members of Committee of the Permanent Representatives of the Governments of the Member States

08 June 2023

Dear Ambassadors,

Enhancing European industry competitiveness through Electricity Market Design

The reform of the electricity market comes at a crucial moment for EU companies who are still experiencing the adverse impacts of energy crisis. While spot gas prices have been recently decreasing, they are not expected to come down fully to pre-covid levels at least until 2026/2027. Moreover, we expect a gradual increase in grid tariffs and other regulated parts of the electricity price, to reflect a higher level of costs. Meanwhile, even this year gas prices in Europe are expected to be more than 5 times more expensive than in the US. High energy costs continue to damage the long-standing competitiveness of European companies and their ability to invest in the green transition.

As BusinessEurope, we see the need to future-proof the electricity market with clearer long-term signals for investments that will be needed to reach the ambitious European climate targets and at the same time guarantee secure supplies for businesses and households. To this end, we support the focus of the reform on long-term contracting. Still, the proposal needs to be amended to help address the challenges experienced by industrial consumers. It is also crucial that already existing provisions of the Clean Energy Package are implemented to facilitate cross-border energy flows.

In light of planned approval of the Council general approach and the above mentioned risks, we would like to raise your attention to the following points:

- **Important role of Power Purchase Agreements (PPAs)**

Power Purchase Agreements (PPAs) can contribute to both decreasing the price volatility for consumers and ensuring that consumers purchase energy with profiles suitable to their needs. They can also play a key role in financing new renewable energy investment. We welcome the proposal of the Swedish Presidency to explicitly promote the uptake of PPAs, stressing the need to remove any existing barriers or discriminatory procedures or charges.



- **The use of Contracts-for-Difference**

Contracts-for-Difference have an important role to play in supporting the transition to a low-carbon energy system, but they should remain voluntary at member state level.¹ Member states should have the flexibility to implement public support measures most suitable for a specific project or better fitting for the specific national context.

In addition, the revenues generated from such publicly-funded CfDs should be redirected to support all electricity consumers, including businesses. Several European companies have been forced to reduce or shut down their production completely as a result of high energy prices, however many were left out of the national support packages. It is absolutely key to allow consumers to access benefits of the two-ways CfDs via redistribution (given that CfDs alone do not reduce market prices for consumers).

- **Extension of energy sharing provisions**

Extending the energy sharing provisions to all-sized companies would further support the uptake renewable energy sources by pooling resources and sharing risks and burdens, as well as potentially lower the energy costs for participants. At the same time, it is important to consider the challenges that the development of distributed and small-scale electricity production brings on the financing of the grid in order to minimise the cost for consumers.

I thank you very much for your attention and remain at your disposal should you have any questions.

Yours sincerely,

Markus J. Beyrer

¹ MEDEF is in favour of mandatory CfDs.