The Post-2020 Multiannual Financial Framework

A EURELECTRIC statement

October 2017

EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

Carbon-neutral electricity *by 2050*

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

Competitive *electricity for our customers*

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

Continent-wide *electricity through a coherent European approach*

Europe's energy and climate challenges can only be solved by **European – or even global – policies,** not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

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WG Climate Change

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KEY MESSAGES

- Delivering on the Paris Agreement commitments will require tremendous investment effort, including from the power sector, and the post-2020 Multiannual Financial Framework will be key to mobilising this investment effectively.

- As a key budgetary instrument to achieve political objectives the next EU Multiannual Financial Framework (MFF) should reflect fully the political priorities related to the successful and cost-effective medium and long-term clean energy transition in the EU.

- An increase of the MFF threshold beyond the current 20% target should be considered in order to facilitate a possible increase in EU climate ambition in the future, in line with the Paris Agreement, with a view to enabling the EU to maintain its global leadership role.

- The post-2020 MFF must support investment in the essential infrastructure that is critical for delivering a decarbonised European economy. This includes investment in carbon neutral power generation technologies, CCS/CCU, energy storage, demand-side response, energy efficiency solutions, electro-mobility solutions and infrastructure, and the entire spectrum of smart grid solutions.

- The most transparent way to track the next EU budget spending on transformation of the energy sector would be by streamlining existing climate and energy financing. This would allow for better coordination and tracking regarding whether adequate EU finance is being put in place to facilitate the achievement of the climate and energy policy spending objective.

- To facilitate the structural change in regions heavily reliant on coal related jobs or carbon intensive electricity production a Just Energy Transition Fund under the next MFF should be created to support for repurposing of old power plant sites and coal mines, capacity replacements, innovation schemes and formulation of new and sustainable regional economic strategies.

Introduction

The Paris Climate Agreement adopted in December 2015 demonstrates the priority and urgency attributed to mitigating climate change by global leaders, including the EU. The European power sector is fully committed to becoming carbon neutral by 2050 in line with the EU's long-term objective of reducing its greenhouse gas emissions by 80-95%. Achieving this long-term goal in a cost-effective manner will necessitate a tremendous investment effort. According to the Commission's own estimates, reaching the EU's climate and energy objectives for 2030 alone will require €379 billion annually over the period 2020-2030. A key objective of the post-2020 Multiannual Financial Framework (MFF) will therefore be essential to mobilising part of the investment needed.

As a budgetary tool used to reach political objectives the next MFF should reflect fully the political priorities related to successful and cost-effective medium and long-term clean energy transition in the EU. Under the current MFF covering the period 2014-2020, the EU has already agreed to spend at least 20% of its budget on climate-related investment, but has to date spent only 12.7% on average each year up to now. Since the adoption of the current MFF, the EU's financing needs for climate action investments have increased significantly due to the challenges previously unforeseen at the time, in particular, the commitments made by the EU to support the Paris Agreement.

This additional required expenditure for greenhouse gas (GHG) abatement, including in the energy sector, must be adequately reflected in the post-2020 financial framework and the component funding streams. The new EU budget must play a key role in achieving the EU's agreed climate and energy related targets. It should also provide sufficient flexibility in its various mechanisms and instruments to facilitate a possible increase in the EU's level of ambition, in line with the Paris Agreement, over the course of the next financial period perspective.

Over €700 billion invested in renewable energy sources by the European power sector between 2004 and 2016 shows its clear commitment to making the European clean energy transition work. Carbon free generation assets are now supplying an increasing amount of Europe's electricity requirements. In 2015, following a clear upward trend, 56% of all electricity generated across the European Union came from carbon-free sources. Our commitment to the clean energy transition has been reiterated recently by EURELECTRIC's members in a joint declaration confirming that our sector has no intention to invest in new coal power plants after 2020. The new MFF must act to leverage the substantial investment made by the sector with the aim of maximising its contribution to GHG abatement across the EU economy.

Support investment in critical infrastructure including Electrification

In this context, the post-2020 MFF must support investment in the essential infrastructure that is critical for delivering a decarbonised economy. This includes investment in carbon neutral generation technologies, CCS/CCU, energy storage, demand-side response, energy efficiency solutions, electro-mobility solutions and infrastructure, and the entire spectrum of smart grid solutions.

Further consideration should also be given to the digitalisation of the power sector, the expanding application of ICT solutions, the management of big data, as well as the ongoing roll-out of smart meters and their future use in managing electricity demand and on-site generation dispatch. The roll-out of these technical and business solutions, coupled with further electrification in all regions of the EU across several sectors, will provide further synergies between the electricity sector and other sectors of the EU economy and will contribute to delivering cost-effective decarbonisation.

Our sector is prepared to do more in the future and is set to help decarbonise other sectors of the EU economy through their electrification. Electrification provides a promising pathway towards a decarbonised, competitive and energy independent Europe. It is a winning strategy that adds value to the everyday lives of European citizens and the European economy, whilst driving the pursuit of the EU's decarbonisation ambitions and its commitments to the Paris Climate Agreement. If we are serious about decarbonisation in Europe, unlocking electrification's potential early on will multiply its benefits for society and the environment including through innovation, technological development, jobs and improved air quality.

Streamlining climate and energy financing

The most transparent way to track the next EU budget spending on transformation of the energy sector would be by streamlining existing climate and energy financing into a single commitment appropriation with related ceilings and headings. This would allow for better coordination and tracking regarding whether adequate EU finance is being put in place to facilitate the achievement of the climate and energy policy spending objective.

An increase of this threshold beyond the current 20% target should be considered by policymakers with a view to ensuring that the additional investment required by the EU to implement its Paris Agreement commitments as well as future global commitments can be stimulated and supported, thus allowing it maintaining its leadership role.

This will be particularly challenging in the context of ongoing Brexit negotiations, as discussion on the funding for the next MFF will inevitably start from a point below of what is currently available. EURELECTRIC recognises that a balance will be required between increased contributions from Member States and funding reductions if a Brexit related shortfall is to be addressed. With new priorities ahead but similar or potentially lower levels of EU funding available EU financial programmes under the next MFF will require reorientation. EURELECTRIC believes that where budget changes to programmes arise they should reflect the relative contribution of such programmes to economic, environmental and social sustainability.

Creating a Just Energy Transition Fund

In light of the need to address the intensifying impacts and consequences of tackling climate change, a re-balancing of the relative sectoral distribution of MFF funding is necessary. More funding must be allocated to facilitate the structural change in countries and regions that are heavily reliant on coal related jobs or carbon intensive electricity production. Allocating the necessary economic restructuring costs in a balanced way across the EU would help ensure that a just energy transition benefits all European citizens.

The creation of the Just Energy Transition (JET) Fund could be an example of a new financing measure which could be put in place under the post-2020 MFF to allow many low-carbon investments to take off, to create green jobs, eradicate energy poverty, support innovation and stimulate sustainable economic growth. Such JET Fund would support the development and execution of holistic regional energy transition strategies. Funding purposes should include, but not be limited to, support for repurposing of old power plant sites and coal mines, capacity replacements, innovation schemes and formulation of new and sustainable regional economic strategies.

Early adoption of MFF to avoid delays and ensure investment predictability

Early adoption of the post-2020 MFF will avoid delays in adopting any relevant implementing programs and provide investment predictability. Combining financing from the MFF with other sources of funding should be linked with increased flexibility to better allow the full use of available funds. However, the use of financial instruments should only be complimentary to traditional investment grants. Streamlining administrative procedures by focusing on the achievement of tangible results and adapting quickly to new developments in an ever-changing energy world will be key to success.

As a budgetary tool used to reach political objectives the next MFF should reflect fully the political priorities related to successful and cost-effective medium and long-term clean energy transition in the EU. EURELECTRIC's members are fully committed to work with policymakers towards achieving this goal during discussions on the post-2020 MFF.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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