

## The EU power sector supports the ambition of net-zero greenhouse gas emissions in the European economy by 2050 – key enablers are needed<sup>1</sup>

Europe has a unique opportunity to establish its global leadership in clean technologies and sustainability in the fight against climate change in line with the Paris agreement. In this context, **the European electricity industry commits to playing a key role to enable and sustain a climate neutral European economy with net-zero greenhouse gas emissions by 2050**, reliably powered by **affordable energy** from renewable and carbon-neutral sources.

Eurelectric asks for an enabling framework to be put in place to collectively ensure a transition to a climate-neutral EU by 2050 that will preserve European competitiveness, be just and socially balanced. If properly managed, such ambition has the potential to bring growth, create jobs and foster competitiveness, while ensuring energy security and affordable energy prices.

**This ambition is only achievable with targeted and coordinated efforts, and deep electrification of transport, industry and buildings:** according to our analysis deep decarbonisation<sup>2</sup> of the European energy consumption is possible with 60% direct electrification. While carbon-neutral energy can remove two thirds of current total EU emissions, it is also critical that non-energy use sectors follow suit and ramp up their decarbonisation efforts.

As outlined in our Industry Vision we will **transform the energy system to make it more responsive, resilient and efficient**. We will **invest in clean power generation and transition-enabling solutions**, to reduce emissions and actively pursue efforts to **become carbon-neutral well before mid-century**<sup>3</sup>, taking into account different starting points, commercial availability of key transition technologies and benefits from the diversification of energy sources.

To make this ambition a reality **we call on policy makers to swiftly establish a consensus on the long term EU-decarbonisation objective of climate neutrality by 2050**<sup>4</sup>, to provide long-term guidance for industry. To achieve this transition it is crucial to:

1. **Recognise the importance of electrification.** National Energy and Climate Plans (NECPs) should identify levers to accelerate electrification and RES deployment. A proper framework for electrification will foster benefits through investments in sectoral integration.
2. **Ensure predictable and stable regulatory frameworks giving the right signals to investors within a well-functioning and fully integrated power market** to boost innovation and reduce costs for final customers while ensuring security of supply. The non-energy costs such as taxes and levies in the electricity price need to be lowered or removed to ensure that climate action costs are not disproportionately placed on electricity, slowing down decarbonisation.

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<sup>1</sup> Eurelectric's Polish member association PKEE supporting the need for a transformation towards innovative and low-emission economy, could be able to support the EU 2050 Climate ambition assuming that prior to establishing EU climate-neutrality binding measures, a fair burden-sharing mechanism will be created taking into account compensations for Member States with different starting points.

<sup>2</sup> Decarbonisation Pathways, Eurelectric, 2018 - 95% EU decarbonisation scenario

<sup>3</sup> Eurelectric Industry Vision

<sup>4</sup> As proposed in the political guidelines of Mrs Ursula von der Leyen

3. **Lead EU ETS reforms to ensure that robust market-based carbon pricing is a key driver** and further explore the need for a CO<sub>2</sub> price signal for transport, heating and other non-ETS sectors, while addressing carbon leakage issues. An assessment is needed of the potential impact of EU and national policies on the EU ETS and potentially make use of the option to cancel EU ETS allowances if needed.
4. **Take into account the distributional effects of climate policies** across society and Member States, ensuring that sufficient funding is available under the next EU budget to support carbon intensive regions, Member States with a different starting point, and vulnerable consumers. This should include a Just Energy Transition Fund and an increase of the Innovation Fund with a geographic element as well as a proportional increase of the Modernisation Fund in order to finance additional investments needed in less affluent regions.
5. **Encourage social acceptance** for the accelerated deployment of renewables, clean energy solutions and grids. Ensure that infrastructure regulations reflect the changing infrastructure and security needs to support this transition to avoid disproportionate increase of the energy prices.
6. **Foster innovation in the needed technologies** to abate the last tons of CO<sub>2</sub> emissions including negative emissions technologies and further analyse the role of carbon offsets across Europe.