Brussels, 9 September 2019

Dear Member States' Permanent Representatives,
Dear Financial Attachés / ad-hoc working party on MFF,

The next EU Multiannual Financial Framework (MFF) is a key budgetary instrument in achieving the agreed political objectives on fighting climate change and in accomplishing the clean energy transition in the EU.

The European electricity sector has committed to be a driving force in delivering on the Paris Agreement commitments and pledged to become carbon-neutral well before 2050. Going forward, electricity will be a key energy carrier in accelerating the decarbonisation of transport, heating and industry through direct and indirect electrification.

This transition will require very significant investments in carbon neutral power generation, storage, demand-side management, industrial solutions and energy efficiency measures, electro-mobility, low and medium voltage networks as well as the entire spectrum of smart grid solutions. The decarbonisation of the power sector by 2045 will in itself require at least EUR 100 billion/year of investments in generation and storage. The post-2020 Multiannual Financial Framework (MFF) will be pivotal to mobilise these investments effectively and to ensure a fair and just transition for all regions and customers, taking into account the different starting points for decarbonisation of different EU Member States, especially the ones still heavily reliant on coal.

In the context of the final negotiations on the next MFF, Eurelectric calls on the Council to include the following key elements in order to ensure a cost-effective and timely decarbonisation of the EU economy:

1. **Dedicate at least 25% and up to 30% of the total MFF 2021-2027 expenditure to climate objectives.** Use the **mid-term review in 2023** to check whether expenditure is on track and develop a clear methodology to assess this allocation.
2. **Create a substantial Just Energy Transition Fund in line with investment needs of carbon intensive regions** heavily reliant on coal, exceeding the EUR 5 billion proposed by the European Parliament. This Fund would be specifically used to support the execution of holistic regional energy transition strategies in line with the recommendations of the Coal Regions in Transition Platform. Funding should support, inter alia, the repurposing of old power plant sites and coal mines, brownfield redevelopment, the replacement of high-emitting power plants with low carbon sources , innovation schemes, as well as socially acceptable programmes of retraining and reskilling of workers. Synergies should be sought with existing financing instruments such as European Regional Development Fund (ERDF), Cohesion Policy funds, European Social Fund and InvestEU.
3. **Double the resources allocated to the Connecting Europe Facility (CEF)-Energy to reach at least EUR 7.68 billion (constant 2018 prices) in line with the Commission's proposal and the European Parliament's report.** The CEF will gain more importance as a key EU funding instrument for infrastructure investment. Sufficient resources, in the form of grants and funding, should be guaranteed for electricity related projects, including smart electricity infrastructure (low and medium voltage), storage assets and cross-border renewable projects. Synergies of CEF-Energy should be sought with CEF-Transport for the deployment of electric mobility charging infrastructure, whereas it would be necessary to provide more funds for e-mobility under CEF-Transport. To accelerate the completion of energy projects,

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ambitious co-financing rates and the transfer to CEF-Energy of remaining resources from other instruments such as Cohesion Funds should be made possible.

4. **Raise the Horizon Europe budget to EUR 120 billion and allocate at least 60% to the second pillar**. Only with an adequate investment in research and innovation, from both the private and public sectors, clean technologies and services can be developed and deployed. In this context, the Horizon Europe framework programme, based on open competition and excellence-based research, is an essential tool.

5. **Increase the contribution of the Cohesion Fund and of the European Regional Development Fund to climate objectives** with respectively 40% and 35% of their total expenditure. In a context where decentralised energy will account for an increasing share in the power generation while electric transport will rely on a multitude of local charging stations, it is key to align regional funding with the local realities and needs, especially of coal regions in transition and of islands.

6. **Confirm a funding of at least EUR 9.2 billion for the Digital Europe Program** to help bridge the EU's digital investment gap for the 2021-2027 period. The Digital Single Market strategy has put in place a robust framework, which must now be matched by an equally robust investment programme to make the most of many new opportunities digital transformation offers, including digitalisation of the energy sector.

7. **Increase the guarantee of the InvestEU Programme to EUR 38 billion** and channel at least **30% of its overall envelope to the achievement of climate objectives**. Within the sustainable infrastructure envelope, at least 55% of the investments shall be directed to low carbon projects, with a focus on renewable energy sources, carbon neutral sources, storage, electricity networks, demand side response, smart grids and negative emission technologies. Private funding will play an increased role in leveraging the significant amounts of investments needed to decarbonise the EU economy and public guarantee mechanisms have proven to be pivotal for attracting private financing under the European Fund for Strategic Investment and should continue to do so.

Eurelectric supports a swift and timely adoption of an ambitious MFF and calls on the European Council to quickly complete the overall legal work and the definition of spending programmes in time to start a speedy implementation in January 2021. There is a clear momentum for the European Union to move forward with an ambitious action plan for the next decade and to lead the clean energy transition. With the last European elections, European citizens have clearly expressed their will to tackle climate change and the EU budget will be key to translate these aspirations into concrete deliverables. A slow start of these programmes would put at risk the achievement of the Paris Agreement and would have a negative effect on jobs and growth across the European Union.

We hope that you will be able to take our recommendations into consideration and would welcome the opportunity for a further exchange with you. We remain at your disposal for any clarification.

Kind regards,

Kristian Ruby, Secretary General of Eurelectric

Copied: Deputy Permanent Representatives, Energy attachés and Climate attachés