

Draft agreement on the future EU-UK Partnership

A Eurelectric response paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Eurelectric welcomes the inclusion of an energy section in the EU's draft text of the Agreement on the New Partnership between the EU and the UK. This EU's initial draft position provides a first constructive step for the future EU-UK energy relationship, for example by recognising the importance of future collaboration on energy projects, carbon pricing, the integration and promotion of renewable energy and energy efficiency.

However, in order to reach a positive outcome on energy, Eurelectric believes that the negotiations should aim to achieve a balanced approach where rights and obligations that are defined in the text are proportionate to the benefits that could be expected from this new EU-UK relationship.

Negotiators should keep in mind that continuity with the existing provisions would allow for a constructive and pragmatic EU-UK relationship in the energy sector. Any disruptions would on the contrary lead to an increased instability which would prove very harmful for all energy actors operating in the EU and UK power sectors, and would be very detrimental to the EU and UK's shared decarbonisation agenda.

Considering the current provisions of the text, Eurelectric would like to insist on the need to address the following points in the final text:

1. The **continued functioning of the Single Electricity Market (SEM)** between Northern Ireland and Ireland should be ensured to safeguard the existing market framework. This would help to protect and preserve all benefits already provided and progress efficient trading of energy, enhanced security of supply and integration of renewable energy on the island of Ireland.
2. **The UK's continued membership of ENTSO-E and ENTSO-G** (Article ENER.27), **ACER** (Article ENER.28) are key to ensure that both the EU and the UK continue to benefit from each other's expertise and can effectively collaborate on the required transition to a low carbon energy system. Membership of ESMA, the new EU DSO entity, as well as the Office for Nuclear Regulation's membership of ENSREG should also be considered in this regard. Should membership not be considered by negotiators, similar provisions allowing for the same balanced framework should be put in place.
3. The provisions of the draft agreement related to **collaboration on climate diplomacy and alignment of rules between a UK ETS and the EU ETS** (Article LPFS.2.36) should aim at ensuring a common effort to achieve decarbonisation. Explicit provisions should therefore allow for a close linkage between the two ETS systems, allowing that all market actors have visibility, particularly in the perspective of the potential Carbon Border Adjustment mechanism implementation.
4. Explicit reference to **projects of common interest** such as the Northern Seas Offshore Grid and other existing EU-UK energy and climate arrangements should be made. A lack of continued engagement could lead to a failure to realise these projects and the imposition of unnecessary costs on customers across Europe, including in the UK.
5. It is also essential that a **future framework ensuring a consistent interface between financial and physical commodity markets** is defined between the EU and the UK. This interface must avoid regulatory arbitrage and ensure fair competition between market participants. Electricity and gas wholesale market functioning cannot be seen in isolation from the use of financial infrastructure such as clearing banks, trading venues, clearing houses etc.
6. Eurelectric would also like to emphasise **the continued application of tariff free trade arrangements** to energy-related plant and equipment. This would allow for collaboration between the EU and the UK that goes beyond what a standard FTA would otherwise offer, with

a fair balance of rights and obligations, keeping an ultimate goal of zero net GHG emissions by 2050.

Eurelectric will closely follow the evolution of the negotiations and would be happy to provide additional information on these issues, should the negotiators require it.

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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EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexpert/?s=details&id=4271427696-87)