

To the attention of Energy Ministers,
Brussels, 13 March 2025

Subject: Energy security and competitiveness at the heart of Europe's energy future.

Dear Ministers,

As geopolitics have warped decades of international developments into weeks, Europe's ability to defend and power in a world of increasingly fierce competition is becoming an absolute imperative. **In the face of unprecedented global headwinds, we would like to share our perspective on the role of the power sector in Europe's energy future.**

On competitiveness, the Commission's Clean Industrial Deal is welcome with an emphasis on electrification, simplification and demand stimulus. **Electrification is the surest way to shore up energy security at home and the most competitive carbon reduction pathway for most consumers.** It is also the surest way to **put our vast clean energy potential to good use.** And with our unmatched internal market, we can bring the best of all Member States' energy mixes together and **strengthen our energy security position in unity.**

Regarding energy security, we welcome the Polish Presidency's prioritisation of the issue. **We share many of the convictions detailed in their discussion paper on the EU's energy security architecture and cover much of the topics in detail in our latest study, [Redefining energy security in the age of electricity](#).** The discussion's guiding questions demonstrate understanding of the need for a more holistic view of and planning of the energy system, while also giving weight to the risk of grander events, such as hybrid attacks and climate-induced extreme weather, on our system's security. We would **propose adding a question to this discussion on how Member States plan to meet their system flexibility needs.**

The key, nonetheless, remains in unity. We need it more than ever before. **We therefore need approaches that work for all Member States.** That means recognising the diversity of each energy system and what it brings to the table. To do so, we call on you to consider our brief feedback on both topics up for discussion on 17 March, below.

Yours sincerely,



Leonhard Birnbaum
President



Kristian Ruby
Secretary General

I. Power sector thoughts on the EU's energy security architecture

1. Which elements of the (i) security of gas supply and (ii) risk-preparedness in the electricity sector, might require an in-depth revision in light of the 2022-2023 energy crisis?

In the wake of the energy crisis, while existing principles of both regulations remain valid, adjustments to enhance flexibility, cross-sectoral coordination and crisis response are needed.

- **Risk preparedness planning:** Streamline to improve efficiency and reduce administrative burdens. Most crisis responses were national, not coordinated at EU level, calling for cross-border cooperation agreements before crises arise.
- **Crisis response protocols:** Regular emergency drills and enhanced real-time communication would significantly improve crisis response times and coordination.
- **Bottom-up planning:** Electricity crisis scenario planning needs to account for an evolving landscape through a bottom-up approach, incorporating input from national generators and load to reflect the increasing decentralisation of the electricity system.
- **Regulation principles:** Retain fundamentals while ensuring that provisions assess both adequacy and flexibility needs *vis-à-vis* decreasing gas usage.

2. Would the current and future level of integration between the gas and electricity markets justify a single EU legislative act on the security of the gas and electricity markets?

The growing interdependence of the gas and electricity markets means that enhanced cross-sector integration is crucial for a more resilient energy system.

- **Current regulatory gaps:** Treating gas and electricity security separately leads to inefficiencies and missed opportunities for real-time coordination during crises. A more integrated governance framework would manage critical interdependencies effectively.
- **Joint coordination group:** Facilitate cross-sector discussions and ensure a holistic approach to risk preparedness. Currently limited information exchange and suboptimal crisis management is a symptom of having separate groups.
- **Cross-sector integration:** Addressing gaps between gas and electricity security of supply would improve flexibility, particularly in electricity markets where storage and demand-side management are critical for integrating renewable energy.
- **Risk assessments and planning:** Unified approach to risk assessment, including joint infrastructure planning between electricity and gas stakeholders, would enhance system resilience and ensure efficient investment in security measures.

3. Which measures could better protect critical energy infrastructure in Europe? Should the EU take a broader role in case of accidents or sabotage?

Protecting critical energy infrastructure requires a combination of resilience-building measures, cybersecurity enhancements and regulatory clarity to drive security investments.

- **Climate adaptation and resilience:** adaptive building techniques (for e.g. replacing overhead with underground power lines), improve cross-border cooperation and foster collaboration between regulators, operators and asset owners.
- **Resilience incentives:** Introduce a "Resilience Incentive Mechanism" for utilities to encourage system hardening, operational enhancements and recovery planning.
- **Cybersecurity measures:** Effective implementation of EU cybersecurity regulations, (e.g. NIS2, NCCS, and the Net-Zero Industry Act) before further reforms are proposed.
- **Grid infrastructure upgrades:** Support electrification that integrates flexibility solutions (e.g. storage and demand response) via clear regulatory frameworks for investment.
- **Regional Coordination Centres:** Expanded role, allowing them to conduct long-term scenario analyses and contribute to improved power adequacy planning.

II. Power sector assessment of the Clean Industrial Deal and Action Plan for Affordable Energy

Welcome:

1. **Electrification front and centre:** the inclusion of a 32% KPI for electrification will help drive up electricity's share of final energy demand in the EU from its stagnant rate of 23% for over the past decade. Delivering this level of electrification is an important step for greater [energy security](#) and to keep specific costs in check.
2. **Focus on implementation:** we already have a lot of the measures needed to achieve affordable secure energy, especially included in the electricity market design reform and the Fit for 55% package. These include facilitating long term contracts and accelerating clean generation and flexible capacity deployment. The Commission's focus on implementation and transposition at the Member State level will go a long way to structurally reduce energy costs.
3. **Technology neutrality:** the principles of technology are upheld, applied to various investment de-risking measures with reassertions of Member State's right to choose the generation mix that works best for their national situation. This is an important development and must be upheld going forward.
4. **Grids investments:** the needed physical build out of our electricity grids are well recognised, together with the need to integrate flexibility, and the associated investments and accelerated permitting requirements this entails.
5. **Fairer taxation:** the Commission rightly calls for a level playing field on [electricity taxation](#) compared to other energy carriers. Eurelectric supports reducing the taxation rate to the legal minimum, or even zero, and passing the Energy Taxation Directive.

Concerning:

1. **Distortive market interventions:** a reference to the Iberian mechanism that suggests support for in case of price spikes and possibilities to decouple electricity and gas prices, ultimately paid by the customer. It has nonetheless been [shown](#) to be an ineffective approach to managing extreme consumer prices.
2. **A redesign of network tariffs:** the proposal for an EU-wide methodology for network tariffs risks to distort their purpose of making efficient use of grid capacity and not account for local specificities. The goal of mandating variable grid tariffs raises concerns about the revenue predictability that is required by capital markets.
3. **Redirecting ETS funds to inefficient uses:** diverting ETS funds towards carbon removals risks shifting investment away from vital and cost-efficient sectors such as electricity grids and e-mobility infrastructure which will deliver larger and more efficient carbon reductions. ETS funds should focus on decarbonisation activities.

Further assessment needed:

1. **Industrial Decarbonisation Bank:** earmarks €100 billion for industrial actors that are seeking to decarbonise via direct electrification or other means. It is important that these funds support the 32% KPI and avoid wasting resources on less efficient methods of decarbonisation.
2. **Undue financial regulation:** The door remains open to introducing banking-like regulation to the energy sector, which could introduce liquidity issues within the energy sector and block capital that could be invested with greater added value.
3. **Complex local content requirements:** introducing stringent and complex non-price criteria and local content requirements risk pushing up prices, delaying projects and reducing market competition. A careful balance between resilience, affordability and speed of deployment is needed.