MFF public consultation – CEF energy

A Eurelectric consultation response paper

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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.

WG Sustainable Finance

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We warmly welcome the proposed 5-fold increase of Connect Europe Facility (CEF) Energy with respect to the previous cycle. This notwithstanding, we call for a strengthened recognition of distribution grids beyond a single explicit mention in the explanatory memorandum. Until today, financial backing of distribution projects has remained limited as Smart Electricity Grid initiatives have struggled to gain visibility and traction within the Projects of Common Interest (PCI) and CEF frameworks. Historically, only 5% of CEF Energy has been a source of funding for distribution grids. We recommend inverting this trend in the new CEF phases.

Distribution grids are indeed strategic for at least two pillars of the Commission's competitiveness agenda. They are strategic for the clean transition, as they deliver decarbonised electricity to end consumers. They are strategic for security of supply, as their reinforcement (e.g., stockpiling of spare parts, investments in grid security) would reduce exposure to natural and adversarial threats. The Draghi report also highlighted that every euro invested in clean power requires 90 eurocents in grid infrastructure.

To recognise this strategic importance, CEF Energy should provide dedicated support to investments in distribution grids. Such support should also include grants and financing to energy-infrastructure projects in one Member State with cross-border effects. From this standpoint, investments into flexible energy storage such as pumped hydro should receive stronger support as they are strategic for ensuring a well-functioning energy market, security of supply and grid stability.

Investment needs in distribution grids amount to 67 bEUR per year until 2030, namely, twice the current level (from our Grids for Speed study). Failing to meet these needs would come with the cost of missing 190 million heat pumps, 120 million EVs and 1,220 GW solar PV with missing 1,800–2,060 Mton CO_2eq of additional emission reduction (meaning missing decarbonisation targets by 32%–37%).

In addition to network tariffs, which typically finance distribution-grid investments and are paid by end-users, such investment gap should also be filled by facilitating the access of Distribution System Operators (DSOs) to capital at favourable conditions (the EU tariff framework should facilitate the integration of subsidised projects into Regulated Asset Bases in a fair way to enable the involvement of CEF funding for most EU DSOs, while considering conditions in each Member State for setting tariffs and for carrying out investments).

In this regard, we stress the importance of maintaining grant funding at least to the current levels. On top of these grants, we also appreciate the Commission's proposal that CEF Energy should use the InvestEU instruments to provide competitive financing and guarantees. In keeping with Recital (25) of the Commission's proposal, we recommend that these instruments be easily accessible and affordable to DSOs to ensure distribution businesses remain attractive on capital markets.

Since network investments are not only physical, but also digital, contributing systemically to an integrated EU single energy market, we recommend that CEF explicitly recognise and therefore incentivise also the uptake of optimizing digital technologies, increasing the efficiency of the existing network, as well as cybersecurity and other IT solutions.

Finally, in addition to improving amounts and instruments, we also recommend streamlining the currently lengthy procedure that implies excessive duration from approval as PCI and/or Projects of Mutual Interest to participation in CEF calls and to final disbursement to DSOs.

See Eurelectric's position paper "Electricity grids: the backbone of the EU energy system. Priorities for the grid INI of the European Parliament driving the expansion and digitalisation of electricity grids".

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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