

Mrs
Kadri Simson
Commissioner for Energy
Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

Brussels, 10 March 2023

Subject: European Commission's proposal on electricity market design

Dear Commissioner Simson,

As the Association of European Chambers of Commerce and Industry, Eurochambres, we would like to provide input on the ongoing discussions surrounding the European Commission's proposal on electricity market design.

The chamber network believes that it is crucial to approach any reforms to the European electricity market design with caution and avoid hasty structural reforms that may jeopardize the reliable functioning of the market. Instead, we propose strengthening cross-border energy networks and trade flows, improving framework conditions for the integration of volatile renewable electricity generation, utilizing the industry's contributions to grid stabilisation, and preventing excessive price spikes. To achieve these goals, we welcome the strengthening of forward markets, the enabling of long-term contracts like PPAs, and the improvement of demand-response measures.

However, we believe that the Commission should refrain from the mandatory introduction of two-sided contracts for difference (CfDs), as part of the electricity market design or as a funding tool for renewable energy generation. It is important to allow Member States to choose the most appropriate tools for funding renewable energy projects based on their specific needs and circumstances. If the Commission decides to use CfDs, it should be on a voluntary basis. It is important to note that any tool used to fund renewable energy projects should be consistent with existing state-aid frameworks.

Mandatory use of CfDs, especially during periods of high energy prices, could lead to several issues. Firstly, energy producers may demand high strike prices, resulting in higher costs for the entire energy system for a longer duration, exacerbating ongoing crises. Additionally, the mandatory use of CfDs could hinder the growth of other subsidy-free green contracts such as power purchase agreements (PPAs), slowing down the development of the green power market, especially for industrial consumers who require origin certificates to fulfill their sustainability requirements. Overall, these concerns indicate that CfDs may not be the best approach for promoting renewable energy generation and integration.

Besides that, we advocate for market interventions to be kept to a necessary minimum, coordinated EU-wide, and limited to duration of a crisis. Therefore, we urge the Commission to proceed with the utmost caution. In principle, a well-isolated emergency price regulation could aid in restoring confidence in the market by making emergency measures more predictable. However, to ensure this predictability, the criteria for declaring a Union-wide



Association of the European Chambers of Commerce and Industry
Association des Chambres de Commerce et d'Industry Européennes

Chamber House • Avenue des Arts 19 A/D • B - 1000 Brussels / Bruxelles • Belgium / Belgique

Tel. +32 2 282 08 50 • Fax +32 2 230 00 38 • eurochambres@eurochambres.eu • www.eurochambres.eu

A.i.s.b.l. / Non-profit international association • TVA / VAT: BE 0417 324 583 • Bank / Banque ING: 310-1215400-76

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emergency must be precisely and clearly defined in advance, based on accurate data rather than mere expectations.

We call on the European Commission to take into account the above-mentioned elements when preparing the proposal, and we are ready to assist in this endeavor.

Thank you for considering this input.

Yours sincerely,

Vladimír Dlouhý
Eurochambres' Deputy President and Sustainability Committee Chair