

ELECTRIFICATION ALLIANCE

To:

Frans TIMMERMANS
Executive Vice-President, European Commission
Kadri SIMSON
Commissioner, European Commission
Jernej VRTOVEC
Minister of Infrastructure, Republic of Slovenia
Cristian-Silviu BUȘOI
Chair of ITRE Committee, European Parliament

Brussels, 22 September 2021

Dear Executive Vice-President,

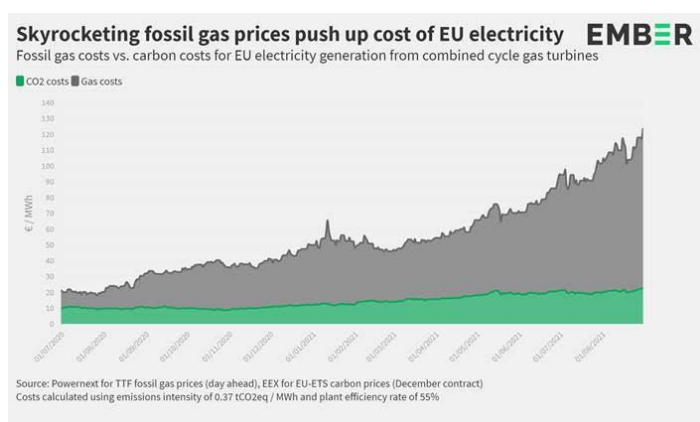
Dear Commissioner,

Dear Minister,

Dear ITRE Committee Chair,

the increase in wholesale electricity prices that Europe is experiencing is triggering concerns and political debate across the continent. The **Electrification Alliance**, an alliance of 10 European associations that firmly believe electrification is the future of the European Union's energy system, would like to share its insights on the situation and offer you some responses and recommendations.

The unprecedented increase in wholesale electricity prices is driven primarily by very high **global gas prices**, bouncing back as global economies recover after COVID-19, but also impacted by global supply constraints. Europe still produces over 20% of its electricity from gas-fired power stations¹, so higher gas prices feed directly into our electricity bills.



The recent rise in **carbon prices**, that coal and gas-fired power stations pay, is also a factor but account for less than a fifth of the recent increase in electricity prices, as outlined in this graph by EMBER and stressed by you, Mr Executive Vice-President, in the European Parliament during the first debate around the "Fit for 55" package.

The current situation follows a few years of relatively low electricity prices. Occurrence of negative price hours have increased sharply in recent years reaching a record of over 1800 instances across EU markets in 2020.

¹ <https://ember-climate.org/project/eu-power-sector-2020/>

To overcome this situation, the Electrification Alliance recommends the following measures, some of which could be taken immediately:

1. Structurally reduce taxes on electricity bills

The **taxes** consumers pay on electricity in most countries are higher than the taxes they pay on other forms of energy. Governments should tax electricity less. This would help reduce the pressure on the retail power prices all consumers pay.

2. Fully implement Clean Energy Package provisions to ensure flexible consumption for all

High electricity prices are not an everyday reality. The lack of full implementation of EU electricity market legislation², especially in the field of **demand-side flexibility**, is unnecessarily burdening customers who could benefit from these fluctuations if they can adapt consumption accordingly. We call on policymakers in Europe to speed up the overdue implementation of the relevant provisions and on the Commission to give more guidance on this process.

3. Accelerate the clean energy transition to hedge against volatile fossil fuel prices

Europe should reduce its dependency on imported gas and exposure to **volatile global gas prices**. The EU Green Deal and climate neutral ambition clearly point in this direction.

The deployment of **renewables** should be accelerated. New wind and solar are now cheaper than existing coal and gas plants³. The more we have of them, along with efficient grids, energy storage and other forms of flexibility, the lower our energy bills. Existing administrative barriers to the development of renewable energy projects across the EU should be eliminated to accelerate deployment rates and increase the softening effect wind and solar will have on electricity prices.

The current situation also draws attention on the need for more **energy efficiency**. Efficiency policies should prioritize the socially more vulnerable parts of society as the most effective strategy to reduce energy poverty.

The Electrification Alliance and its members will continue to monitor and engage in this debate. We remain at your disposal to answer any questions you may have.

² smartEn (2020). Monitoring Report: The Implementation of the Electricity Market Design to Drive Demand-Side Flexibility. https://smarten.eu/wp-content/uploads/2020/11/FINAL_smartEn-EMD-implementation-monitoring-report.pdf

³ SolarPower Europe (2021). Global Market Outlook for Solar Power 2021-2025. www.solarpowereurope.org/global-market-outlook-2021-2025/

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The Signatories:



AVERE - the European Association for Electromobility, the European Heat Pump Association, Eurelectric, the European Climate Foundation, the European Copper Institute, EuropeOn – The European Association of Electrical Contractors, the Renewables Grid Initiative, smartEn – smart Energy Europe, SolarPower Europe and WindEurope

For more information about the Electrification Alliance: <http://electrification-alliance.eu/>