

Open letter from REEF



On the Fit for 55-package

The Roundtable for Europe's Energy Future (REEF) is a cross-sector industry alliance composed of 12 companies, with energy at its core. We are fully committed to the European Green Deal. With the recent agreement on Europe's new climate law and the recent IEA report, the Commission has a clear obligation to make Europe Fit for 55% by 2030. For REEF, this requires the closing of three deals:

1 A SYSTEM DEAL

More attention needs to be paid to system stability and effective interconnection. Stability and resilience can be obtained through better standardisation, infrastructure, digitalisation and sector integration. TSOs, DSOs, and other actors in the energy sector also need a quicker and simpler regulations.

- a. Digital and automated solutions that can better predict weather changes, in well-functioning markets with clear price signals, will unlock flexibility in electrified societies.
- b. Technologies like weather prediction software, fully automated grid operations, and cloud-connected energy assets play a fundamental role in keeping the lights on. Accelerating these investments requires more efforts standardisation, appropriate framework conditions and improved funding for research and development. Open-source approaches accelerate software development and provide better interoperability between platforms.
- c. Converting green electricity to other energy carriers, such as green hydrogen and ammonia, will also help replace fossil fuels in hard-to-abate applications. The new hydrogen

strategy should be implemented in line with the objectives for 2030 in targeted sectors and followed up by stimulating demand for green molecules, e.g., ammonia from green electricity for shipping and agriculture.

- d. Resilience in an increasingly electrified and renewable energy systems comes with a significantly higher need for storage to ensure resource adequacy. It is essential to have frameworks that allow well-functioning markets to deliver the necessary flexibility based on price signals. We need new investment signals to avoid a trade-off between secure supply and full decarbonisation.

Beyond decarbonisation, the above will contribute to system stability by opening up new potentials for green energy storage long-term, even if direct electricity storage, interconnectors and demand-side flexibility are more efficient in the short-term.

2 A NEIGHBOURHOOD DEAL

Europe's energy transition must include the EU's neighbours.

- a. Energy partnerships and international trade in energy will remain paramount. By interconnecting with neighbouring countries to the south, east, west and north, the EU will double its renewables capacity. This neighbourhood deal counters the lack of suitable space on the European continent, guaranteeing sufficient access to clean energy for industry and jobs.
- b. The electrification necessary to replace fossil fuels with clean energy entails speeding up the deployment while focusing on direct electrification. This allows more efficient use of limited renewables resources.

- c. Providing sufficient system stability requires, in addition to planned grid reinforcements, offshore wind, solar, hydropower, green hydrogen, electricity storage and interconnections both between hybrid projects and grids belonging to surrounding countries and direct interconnectors between countries.

This neighbourhood "compass" enables activation and reinforcement of existing agreements (The EU-UK TCA, European Economic Area, African Green Deal and the Energy Charter). This deal also helps the EU's neighbours switch from fossil to affordable, clean energy thus reducing carbon leakage to the EU's neighbours.

3**A GLOBAL CARBON DEAL**

Putting a price on emissions across all sectors and energy carriers is crucial to reaching 55% emissions reductions.

- a.** Carbon pricing is the crucial tool in the Race to Zero and will provide cost-effectiveness and sustainability, also for future generations. International agreement on broader application of robust, effective and predictable carbon pricing schemes that cover more sectors can help to avoid carbon leakage. This also provides clearer price signals for efficient sustainable investment and operation and system integration in well-functioning markets.
- b.** A global carbon deal between the world's major economies will help internalise carbon costs while mitigating comparative disadvantages and opening the door to common protection against carbon leakage. This would enable the world to make a giant leap in climate action. The EU must use the occasion of COP 26 in November to push for such a deal.
- c.** The EU already has a system for carbon pricing in place (EU ETS), as does the UK, China and several US states. A global agreement on strengthening these systems and encourage other forms of carbon pricing will demonstrate that not all parties need to agree on a single system. Thus, sustainability becomes a competitive advantage.

For all the above, speed is key. We need concrete and bold action now if Europe wants investments to keep pace with its climate law. As European companies involved in the production and transmission of green electricity, as well as the provision of digital solutions for the electricity sector, REEF counts on your leadership and determination to ensure a sustainable future for Europe through well-designed climate and energy legislation under the Fit for 55-package. We remain at your disposal for further discussions and input on how to deliver a just and rapid energy transition in Europe.


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