

Delivering offshore energy for all



REEF input to the Belgian EU Presidency high-level event
Bruges, 15 May 2023

The Roundtable for Europe's Energy Future (REEF) is a cross-sector industry alliance of 12 companies across the energy value chain. We are fully committed to the European Green Deal and believe that **a well-functioning electricity market with a reinforced grid as its backbone is a prerequisite for a cleaner, more independent, secure, and affordable European power system.** Successfully delivering on this objective is also **essential for the clean energy transition and a competitive advantage in Europe's industrial decarbonisation.** As a part of this transformation, offshore energy will play a crucial role in reaching Europe's targets for renewables deployment and emission reductions. To this end, REEF puts forward the following priorities to deliver offshore energy to all in an effective and efficient manner.



Sea basin level collaboration & joint infrastructure planning

The current European grid planning process represents a bottom-up consolidation of national ambitions and development plans, which does not guarantee identification of the most valuable projects at European scale. The grid requires a framework to efficiently allocate costs across countries, avoiding suboptimal solutions. A stronger focus on a **joint endeavour at sea basin level** should be set, as it is the right granularity to move forward with a coalition of the willing and to efficiently include non-EU countries such as the UK and Norway. TSOs need to receive a clearer mandate to further improve the joint infrastructure planning of offshore infrastructure and to **identify the projects delivering most value for society.**

The net-zero ambition should be reflected in the planned scenarios as a part of the evaluation criteria for regulators and authorities in charge of approving development plans. Long-term planning should be improved to provide manufacturers with the necessary reliability regarding demand beyond 2030, justifying investing in additional manufacturing capacity in Europe. A more integrated and collaborative approach that brings together project developers and the supply chain is needed to foster long-term investments, as well as transparency, visibility, and predictability for future manufacturing demand. REEF members are committed to work together and with strategic partners at pan-European level.

The realisation of full-scale cross-border offshore grid project which would demonstrate the High Voltage Direct Current (HVDC) technology's viability, showcase international collaboration models, and deliver the socio-economic benefit of multi-terminal HVDC transmission systems, is an essential next step (e.g., the EU-funded InterOPERA project).



Innovative funding and financing frameworks for fair allocation of costs

The energy transition comes with unprecedented investment needs, for which **new and innovative funding and financing frameworks** are required. A constructive discussion is needed on the fair allocation of costs and benefits to ensure that these frameworks attract private investments. Methodologies for such allocations need to be transparent and comprehensible. Moreover, we call for substantial progress towards a Capital Markets Union that overcomes the fragmentation and national barriers of European capital markets.

In addition to increasing European funds (CEF and other mechanisms) for grid infrastructure projects, a new **funding framework at sea basin level** should be considered and discussed between Member States and neighbouring countries, such as Norway and the UK. Funding should be open to contributions from the EU, Member States, third countries, and private investors to unlock projects of pan-European value.

Counter-guarantee schemes should be set up to cover in-country grids, interconnectors, and manufacturing facilities for grid technologies. For example, the EIB should extend its guarantee framework for wind to electricity grids, as outlined in the EU Action Plan for Grids.

Public procurement procedures should not only be based on price but also on value across the economy, environment, and the domestic manufacturing and supply chain diversification targets of the Net-Zero Industry Act. Innovative reward models should be considered. The more manufacturers will be able to share risks with others and to partner with specialised contractors, the more they will be able to concentrate on delivering their core technologies.



Incentivising manufacturing and predictability of demand

Europe’s strategic competitiveness requires strengthening the domestic production of strategic energy technologies to meet decarbonisation targets in a swift and secure way. In parallel, Europe-based technology providers must also continue to leverage their global supply chains. Trade agreements with third countries should be fostered to ensure access to critical components and materials, utilising instruments such as the Global Gateway Initiative. Policies should enable long-term relationships along the supply chain, capacity to commit workload where appropriate, and ability to drive enduring innovation and sustainability with partners. **REEF asks that these needs are considered in defining industrial sites, permitting procedures, and financing support.**

REEF asks regulators to provide the necessary flexibility to order equipment using forward-looking framework agreements and advises against a piecemeal approach. This is necessary to enable anticipatory investments. Simplified, better coordinated and executed EU, national, and regional incentive mechanisms should be put in place to accelerate the expansion of grid equipment manufacturing capacity.



Heightened focus on the security of the energy system

The Russian invasion of Ukraine was a stark reminder of how geopolitics can impact energy security and impact prices. Since then, tensions in Asia and the Middle East have only seemed to heighten, forcing Europeans to adapt and reconsider our reliance on global partners. In this context, **Europe should strengthen its strategic energy autonomy by accelerating clean energy generation and infrastructure development.**

The **energy system is an integral part of a comprehensive approach to security.** Growing geopolitical uncertainty heightens the threat of physical and cyberattacks on European energy infrastructure and a holistic approach is needed to ensure that the resilience of the grid infrastructure and renewables is secured at national and pan-European levels. Notably, cybersecurity regulations in the EU are comparable and translatable between Member States.



Standardisation, predictability, and simplification

Standardisation of technologies is necessary to achieve economies of scale and establish serial production. Replicability between projects enables the transfer of best practices, reduces design time, and enables more efficient manufacturing and construction, which ultimately reduces project costs and timescales. Harmonisation of network codes should be encouraged.

Technical requirements are deeply divergent across Europe, requiring manufacturers to adapt to local regulations, slowing down production. **REEF therefore calls on manufacturers, Member States, NRAs, TSOs, and operators of offshore wind farms to agree on technical and conceptual standards like voltage levels and reduction of design variants.** The EU should consider setting – in partnership with industry – an **adequate required level of standardisation for public support or other incentives**, while avoiding negative effects such as delays, complexity, and cost increases. Where useful, European standardisation organisations should be mandated to foster collaboration on drafting new standards. The current tender specifications are often bespoke, meaning that additional resources need to be used on special design requests for virtually every new project in Europe. Yet, engineering capacity is scarce and will become one of the limiting factors for the grid roll-out, unless tenders are simplified, and specifications are harmonised. Increased collaboration on common specification requests and functional tenders would lower costs and accelerate project delivery. REEF members are committed to taking a leadership role for simplified and functional tenders.



Growing the talent base

A critical enduring supply chain disruptor is the lack of skilled workforce. The skills needed to accelerate the energy transition and employee expectations are both changing. The Net Zero Skills Academy is a good start for upskilling and reskilling initiatives while ensuring diversity in gender, nationality, and age across technologies and management of the Net-Zero Industry transition. **REEF proposes to establish a broad collaboration platform to support the Net Zero Skills Academies, including the private sector, public institutions, schools, and universities at pan-European level.**