

Enabling Europe's Clean Industrial Deal

A well-functioning electricity market and reinforced grid as the foundation of a clean, competitive, and secure 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, the new five-year term should **strengthen Europe's strategic energy autonomy by accelerating clean energy generation and infrastructure development.**

The urgency to deliver the European Green Deal and achieve Europe's energy security has never been more acute as effects of climate change are now impacting global and European

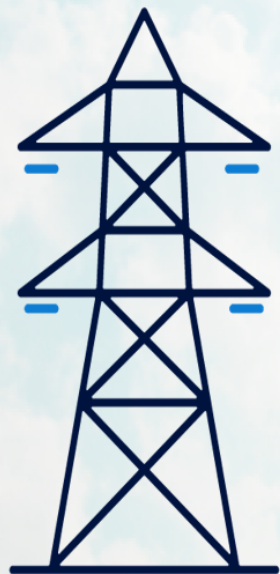
populations in tangible ways through extreme weather conditions and water scarcity. The development of a well-functioning electricity market and modernised power grid are not just a route to a cleaner and more independent energy system and essential for the green transition; they are also a **competitive advantage in Europe's industrial decarbonisation.** Electrification is the most efficient solution to reduce emissions in final energy consumption, while in the hard-to-abate sectors, green hydrogen is the most efficient solution.







REEF also notes the changed UK-EU political environment following

recent elections and calls on policymakers to improve the energy and climate relationship to ensure effective cooperation on net-zero and energy security.

Members of the cross-sector alliance Roundtable for Europe's Energy Future (REEF) stand ready to cooperate with key European stakeholders and allies to increase Europe's energy autonomy and to **develop a secure, clean, affordable, and resilient energy system for a competitive Europe as quickly as possible.** This requires rapid action, for which we stress the following priorities:

Building a clean, competitive & secure energy system



 <h3>Energy security</h3> <ul style="list-style-type: none"> Accelerate clean energy generation & infrastructure Holistic pan-EU resilience Harmonized cybersecurity laws 	 <h3>Supply chains</h3> <ul style="list-style-type: none"> Simplification & standardisation Strategic purchasing of critical commodities Stronger domestic production of Net-Zero tech with reduction in red tape Focus on Net-Zero skills
 <h3>Grid Investment</h3> <ul style="list-style-type: none"> Anticipatory investments & clear incentives New innovative ways of financing Accelerated permitting Further electricity market integration Reflection of Net-Zero in evaluation & planning 	 <h3>Offshore wind</h3> <ul style="list-style-type: none"> Hybrid interconnectors Integrated electricity market Development of a meshed offshore grid Regional cooperation per sea basin and joint planning
 <h3>Digitalisation</h3> <ul style="list-style-type: none"> Mainstreamed across energy networks Harmonised approach to data handling and cybersecurity Transparent dialogue to facilitate data flows and interoperability 	
 <h3>Affordability</h3> <ul style="list-style-type: none"> Cost of no grid investment is higher than grid investment cost Innovative funding and financing frameworks to increase efficiency gains Fair cost & benefit allocation in new national and cross-border projects 	



1. Significant and urgent grid investment is needed to deliver on Europe's energy targets

- Justified anticipatory investments are required to ensure that grid infrastructure is built today for the needs of tomorrow. We recommend that the EU and national governments support investments in grid infrastructure, including anticipatory investments into infrastructure, an enabling regulatory framework, guarantees, and ensuring fair cost and benefit sharing between countries and stakeholders.
- Well-designed incentives are needed to ensure that grid operators can continue to attract financing on the capital markets in times of high interest rates and supply chain volatility driving up costs.
- Harmonisation of permitting procedures, combined with accelerated multi-project permitting at European and national level, improved reliability of forward-looking supra-national planning, enhanced auction designs, greater support for long-term framework agreements, and dialogue to foster public acceptance of clean energy infrastructure are all needed to successfully accelerate the pace of grid development, which is necessary for a well-functioning energy market. Member States should implement new permitting procedures without delay.
- Price signals are primary drivers for investments in flexible production and consumption. Market design that ensures efficient competition through free price formation is an important factor in ensuring competitiveness.



2. Create a comprehensive regulatory framework to unlock Europe's full offshore potential

- To ensure that offshore energy can play its crucial role in reaching Europe's targets for renewables deployment, a new funding framework at sea basin level should be considered. Such a funding mechanism should be open to contributions from the EU, Member States, connecting third countries (both hosting and non-hosting), and private investors to help unlock projects of pan-European value. Additionally, the EIB's counter-guarantee facility for wind should be extended to grid projects, including for grid equipment manufacturing facilities.
- REEF encourages the swift implementation of the Wind Power Action Plan, Offshore Communication, and Grid Action Plan to speed up the deployment of offshore wind energy and corresponding grid developments in all sea basins by promoting hybrid offshore interconnectors

and a meshed offshore grid and in close coordination and collaboration with connecting countries.

- Onshore and offshore grid investments need to be coordinated across borders. An expanded offshore network that improves grid access will strengthen the internal electricity market. Robust on- and offshore connections between markets enable adequate and cost-efficient development and integration of renewable energy. In parallel, it is crucial to incentivise demand-side flexibility and promote energy-saving measures.

3. Address shortages in manufacturing and skills supply chains to overcome major bottlenecks



- Supply chain challenges like scarce manufacturing capacity, the availability of critical materials, and skilled workforce shortage, which are already creating critical obstacles for essential projects, lead to cost increases and time delays. The EU should foster the development of new initiatives and business models such as long-term framework agreements and standardisation solutions based on interoperability to alleviate supply chain shortages, accelerate the deployment of available technologies, stabilise volumes and increase scale, and develop skilled workforce availability.
- REEF calls on the EU to work with its Member States, connecting countries, TSOs, generators, and manufacturers to work on technical and conceptual standards like voltage levels and reduction of design variants and establish functional tenders as a new standard in the grid sector, as tailor-made design requests lead to a project-by-project approach, which slows down production. Taking a standardised approach to grid technology development would achieve the required economies of scale and efficiency in the supply chain. Harmonisation of network codes should be encouraged.
- Coordination of EU, regional, and national incentives for manufacturing capacity expansion of renewable energy and grid components must be simplified to provide predictability and enable Europe-based manufacturers to efficiently take decisions on competitive expansion planning. Possible measures to restrict imports must be balanced with the need to keep up the pace of deployment. Public procurement procedures should not only be based on price but also on value across the economy, as established in the Net-Zero Industry Act. At the same time, Europe-based technology providers must be able to continue leveraging their global supply chains. The Global Gateway Initiative can be an instrument through which strategic trade partnerships are pursued.



4. Mainstream digitalisation across energy networks for improved optimisation and planning

- There is a need to increase the digitalisation of the energy sector and rapidly set up a resilient framework for a “European connectivity strategy” across sectors. REEF calls for a harmonised European approach to data handling, security, and AI use to build trust, resilience, and secure use of digital solutions in complex industrial systems, taking into account the strategic and critical nature of the infrastructure. Digital technologies must play a greater role in planning, building, and operating the electricity grid to provide much needed flexibility and strengthen energy security.
- The EU should also facilitate constructive and transparent dialogue between governments and industrial stakeholders on the exchange of reliable, interoperable, and secure data especially to address supply chain challenges for a timely delivery of projects.



5. Commit to accelerating the energy transition to ensure affordable energy for all

- Accelerating the energy transition by investing in the electricity grid value chain and renewable energy sources now will yield long-term socio-economic benefits and boost security of supply. The European Commission estimates that energy system investments need to increase by 70% this decade, including €584 billion in new investment to upgrade Europe's electricity networks. This investment requires a predictable and supportive regulatory and market environment to effectively and cost-efficiently deliver a reliable and affordable energy system for everyone in Europe.
- Rapid energy system development will bolster economic competitiveness. For instance, the International Energy Agency reports that EU electricity consumers saved an estimated €100 billion between 2021 and 2023 due to rapid renewable energy deployment. Investing now in the energy transition will secure these benefits for the future, contributing to a stronger, more sustainable economy. Failure to act, however, could result in significant economic losses, with global GDP potentially declining by 10% by mid-century due to climate inaction.



6. Recognise energy security as an integral part of a comprehensive approach to security

- REEF commends the work that has already been done by the EU on critical infrastructure protection, hybrid threats, and critical entities resilience, such as the 2023 Directive on the Resilience of Critical Entities. REEF stands ready to support policymakers on the topic of energy security from the industry's perspective.
- REEF underlines the increasing complexity of physical security of critical infrastructure due to rapidly changing geopolitical dynamics and emerging technologies. To ensure comprehensive security, further collaboration is needed via strong public-private partnerships, with an emphasis on sharing best practice and ensuring consistent information exchange, as well as improved adaptation to new scenarios.
- REEF asks for the new European Commission and Parliament to step up cooperation on reinforcing the resilience of critical infrastructures and cybersecurity of grids and renewable energy sources among European countries to address common challenges. The digital and physical security of our energy system is essential for Europe's security.

The new European Commission and Parliament must take the steps to develop a secure, clean, affordable, and resilient energy system for a competitive and secure Europe.

This requires rapid action to tackle critical bottlenecks in a short period of time, because delivering on well-functioning electricity networks is critical for Europe's energy future.