ROUNDTABLE
FOR EUROPE'S ENERGY FUTURE

A Competitive Energy Union – Removing Barriers to Growth

Europe's global competitiveness is under increasing pressure. The Competitiveness Compass is a significant first step to implementing the Draghi report's recommendations and addressing the barriers affecting the well-functioning of the Single Market. The new framework places innovation, decarbonisation, and security as its core objectives. A significant part of achieving these objectives is the Clean Industrial Deal and its associated Affordable Energy Action Plan, which have the potential to unlock indispensable investments and create the right supporting framework to drive electricity demand and reduce system costs by better utilising grids.

REEF agrees with the European Commission that the right way forward to addressing Europe's structural challenges is to deepen the Single Market, ensure the optimal functioning of the electricity market, and accelerate the roll-out of renewables and clean energy infrastructure. REEF also concurs with the Competitiveness Compass that decarbonisation policies are a powerful driver for growth.

Bold action must be taken to address remaining barriers to the clean transition particularly in five priority areas: **Competitiveness, financing, supply chains, digital solutions, and security**. The work on these areas will contribute to developing a sustainable and resilient energy supply, expanding grid infrastructure, and bolstering the security of supply from physical and cyber threats as well as supply chain shocks.

Competitiveness

The clean energy system underpins Europe's objective of decoupling emissions and economic growth. A better integrated European clean energy system is needed to boost competitiveness. A well-functioning clean energy market, supported by reinforced infrastructure and strategic regional cooperation, including with the UK, can reduce costs, optimise resource use, and enhance resilience. Additionally, the accelerated deployment of demand response tools and smart grid upgrades will enhance system flexibility, advancing both affordability and efficiency.

- **Market Integration**: The Commission must coordinate the swift implementation of the EU electricity market rules across Member States to ensure harmonisation to reduce barriers and unlock the benefits of an interconnected system.
- **Renewables Integration**: The EU should set an ambitious 90% climate target for 2040 and a binding 2040 renewables target to achieve this objective. To deliver this clean and affordable energy where it is needed most, an ambitious Grid Package is needed to support the expansion of grid infrastructure.
- **Faster Permitting**: Faster permitting and regulatory harmonisation are key to minimising project delays and reducing associated costs. We strongly welcome the Commission's push to accelerate permitting procedures in the Member States with guidance and best practice sharing.
- **Energy Union**: Completing the Energy Union is a critical step towards a cost-effective and resilient energy system fit for 2040. Getting the Electrification Action Plan and Strategic Roadmap for Digitalisation and AI in the Energy Sector right will be integral for the success of further integration.

Financing

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. Stable regulatory regimes with appropriate incentives providing a competitive return on capital are necessary. Anticipatory electricity infrastructure investments and planning is a must to meet future demand and decarbonisation goals cost-effectively.

- **Derisking**: Financial instruments to derisk investments, such as counter-guarantee schemes, are needed to encourage accelerated deployment of critical infrastructure, such as large-scale renewable and grid projects. Successfully implementing the 'grids manufacturing package' to extend the EIB's guarantee framework to the grid value chain is an important step to incentivising private capital.
- **EU funding**: The refocused MFF will be a critical enabler of long-term success, but as noted in the Clean Industrial Deal, there is an immediate need for capital. The EU must quickly operationalise the new initiatives to meet the major investment challenge facing the energy system already today.
- **Integrate capital markets**: Fragmented European capital markets hinder the mobilisation of private capital. REEF strongly encourages the Commission to ensure that the Savings and Investment Union communication sets tangible actions to integrate capital markets across Europe.

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Supply chains

Europe's 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 provides 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.

- **Robust Supply Chains**: 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.
- **Flexibility**: Regulators should provide the necessary flexibility to order equipment using forward-looking framework agreements and avoid a piecemeal approach. This is necessary to enable anticipatory investments.
- **Simplification**: The EU should support a standardised approach to grid technology development and work with the sector to establish functional tenders as a new standard to lower costs and reduce project-to-project delays without hindering market development and competition.
- **Public Procurement:** Public procurement is key to creating reliable lead markets for grid components, while streamlining procedures. The introduction of the European preference criteria is a vital instrument which must be balanced with sufficient considerations for availability and cost.

Digital Solutions and Innovation

Digital solutions and innovation are critical for the well-functioning of an increasingly complex energy system. By enabling greater flexibility, enhancing security of supply, and improved planning, digital technologies are essential to achieving the EU's energy milestones and decarbonisation goals. A focus on smart grid technologies, AI integration, and R&D investment will unlock efficiencies and ensure resilience in the face of evolving energy demands.

- **Data Use**: Taking into account the strategic and critical nature of energy infrastructure, REEF calls for a harmonised European approach to data handling and security to build trust, resilience, and secure use of digital solutions in complex industrial systems.
- **AI**: The EU should seek to promote trusted AI applications and robust data-sharing frameworks to enhance efficiency and resilience across the energy system. Consistency between the AI Code of Practice, AI Guidelines, and the AI Act is required to allow for useful adoption of AI.
- **Data Centres**: More AI means more data centres – policies should encourage the use of renewable energy, improved energy efficiency, and deployment of flexibility solutions in data centres.
- **Enhance skills and adoption**: More focus on collaboration across academia, technology, energy ecosystems enabling adoption through skills development, and supporting the need for testing and experimentation in the context of possibilities for EU energy regulation and policy.

Security

The European energy system and its high-voltage grid are an integral part of a comprehensive approach to security. A holistic approach is needed to ensure resilience in the face of new physical and cyber-threats. Companies with generation assets and along the grids value chain are already contributing with physical and digital measures, but ensuring comprehensive security requires further collaboration.

- **Cybersecurity**: REEF asks the Commission to step up cooperation on reinforcing the resilience of critical infrastructures and cybersecurity for the energy system. Alignment of sector specific policy, such as the Network Code for Cybersecurity, with horizontal frameworks, such as the Cyber Resilience Act, is important to ensure effective information sharing, as fragmentation of rules would lead to weaker situational awareness and weaken incident response.
- **Strong public-private partnerships**: Improved coordination and communication between government and private actors involved in critical infrastructure is needed to protect against threats. We ask for the Preparedness Union Strategy to boost best practice sharing and consistent information exchange to mitigate risks and consider the wider European security sphere.
- **New risks**: Europe is a global frontrunner in the development of innovative energy infrastructure. In the new geopolitical context, critical infrastructure requires enhanced protection from attacks, be it by drones or other means. It is therefore necessary that the Internal Security Strategy enhances information exchange on security-system related technology to limit risks.