

Preliminary reflection paper by industriAll European Trade Union for the European Commission's Public Consultation on the Revision of the EU's electricity market design

***Disclaimer:** This document has been prepared to answer the EU public consultation launched by the European Commission in January 2023 to prepare the Reform of the EU Electricity Market Design expected to be published ahead of the European Council Meeting at the end of March 2023. It reflects the preliminary discussion and analysis of the IndustriAll Europe secretariat and industriAll Europe affiliates. IndustriAll Europe's Executive Committee will adopt its full position on the Electricity Market Design Reform later in 2023.*

Industrial trade unions and the 7 million workers that industriAll Europe represents demand a deep reform of the European electricity market design that makes the electricity market fit to support the low carbon energy and industrial transition in Europe, reinforces solidarity between Member States, ensures the secure and affordable supply of electricity to industry and households and supports the retention and creation of high-quality industrial jobs in Europe. The failures of today's market design are increasing calls for an exit from the energy market.

Electricity represents 32.9% of the EU's industries' final energy consumption (Eurostat, 2020 data)- although differences exist between the Member States - and is set to increase in line with the EU's ambition to achieve net-zero emissions by 2050. For more than one year (the beginning months before the Russian invasion of Ukraine), sky-rocketing energy prices have been putting pressure on industry's profit margins, resulting in production halts, curtailments, relocation and closures of plants, often resulting in short-time unemployment or even redundancies and job losses. As an example, at the peak of the energy price crisis, 50% of the EU's zinc and aluminium production capacity was forced offline. Beyond the basic metals example, high electricity prices will undermine the decarbonisation of the entire industry given the central role electricity plays in the Energy-Intensive Industry ecosystem's transition pathway¹ or in the decarbonisation of transport.

Moreover, soaring energy prices have been exacerbating energy poverty, undermining workers' purchasing power, as well as driving up inflation rates across Europe.

For industriAll Europe, it is clear that the current energy price crisis is of a structural nature - and subsequently not the direct result of the Russian invasion of Ukraine and using energy as a weapon - that is due to an electricity market design that was developed in the past, when there was an abundance of cheap fossil fuel imports. The current crisis also demonstrates that the liberalisation of the electricity

¹ See among other sources 'Masterplan for a competitive transformation of EU energy-intensive industries enabling a climate-neutral, circular economy by 2050'

market has been failing to ensure and facilitate the Just Transition to net zero. The liberalisation of the energy sector has also exposed the reality that despite the promises made, the market model has not delivered lower prices for households and businesses.

In order to prevent a further de-industrialisation of Europe and instead address the long-term challenges, industriAll Europe calls for a structural reform that modernises the European energy policy and makes it fit for Europe's transition to net zero. Achieving the Green Deal requires massive electrification of manufacturing processes and transport and an increase in low carbon electricity generation. In that context, it is unsustainable to maintain a system in which fossil fuels set the electricity price.

Essentially, the reform of the electricity market design must recalibrate market powers with public steering in support of low carbon energy and industrial investments, and affordable electricity prices that reflect the real production costs. While the situation is different in each Member State (in terms of electricity generation and the impact of the energy price crisis), the electricity market reform must be based on strong solidarity between EU Member States, the pursuit of a much stronger coordination of energy policy in Europe, and the principle of energy as a basic right and service for European citizens.

Basic principles to guide the future of the EU electricity market design

In response to the public consultation of the European Commission, industriAll Europe sets out below the fundamental principles that should guide the reform of the EU electricity market design. The principles were collected in close coordination and discussion with representatives of our 200 affiliated trade unions and are based on existing position papers adopted by industriAll Europe.

In view of the European Commission's upcoming communication on the reform of the electricity market design, industriAll Europe regrets that the public consultation focuses on a set menu and fails to pose the more fundamental questions:

What electricity market design do we need to ensure the supply of abundant, low carbon electricity at stable, predictable and affordable prices for industry, local communities and households in view of moving to net-zero emissions by 2050? Is the market the best means of meeting the needs and expectations of business competitiveness and individuals?

Based on this fundamental question, industriAll Europe supports:

1. A reformed electricity market that promotes social cohesion

- Electricity must be considered and handled as an essential commodity and a public good (as enshrined in the European Pillar of Social Rights). Electricity must be a basic right for all citizens and access to it must be guaranteed. The reform should introduce in the Electricity Directive a right for household consumers to receive a guaranteed supply offer that protects them from electricity price volatility and energy shortages, and covers basic needs.

2. A reformed electricity market that ensures the supply of abundant electricity at predictable, affordable and stable prices for industry, local communities and households

- A transparent and neutral assessment of the liberalisation of the energy markets in Europe in support of a structural reform that makes the EU electricity market fit for the long-term challenges of achieving net-zero emissions while ensuring a Just Transition for all.

- An electricity market that ensures the stable supply of low carbon electricity at affordable prices that support the clean energy transition in Europe.
- The decoupling of gas prices from setting electricity wholesale prices. Wholesale electricity prices must reflect the real production costs of electricity. They must be affordable for European citizens and ensure the competitiveness of European industries.
- The promotion of long-term market mechanisms that prevent volatility and promote stable electricity prices, and supports deep reform and much needed investments in low carbon electricity generation as well as flexibility sources, i.e. storage, interconnection, infrastructure and demand-response.
- Our clear preference is the support of two-way contracts for difference (CfDs) in support of investments in low carbon energy technologies in line with a technology neutrality principle.

3. **A reformed electricity market that is based on solidarity within the EU**

- With the objective of solidarity between Member States and the promotion of the European Energy Union, states should define their energy mix in a sovereign manner, in line with decarbonisation objectives and their needs (TFEU article 194). The over-dependency on energy imports has exposed Europe to price volatility on global markets. Therefore, the reform must facilitate and promote the self-sufficiency of energy supply of the EU.
- Based on an assessment of the existing governance system of the electricity market, we support the development of an EU energy agency with the responsibility for the coherent management of the energy markets, long-term planning of generation and networks, and the promotion of joint, long-term energy purchasing.
- The further promotion of European interconnections, while avoiding increasing competition between countries but supporting them to meet their respective energy needs.

4. **A reformed electricity market with strong safeguards against speculators & unjust profiteering**

- A permanent and progressive system of windfall taxes in support of the provision of affordable electricity for industrial and private consumers.
- A reform of the electricity market that adequately addresses and removes speculation in line with the principle of electricity being an essential commodity and a basic right for EU citizens.

To conclude, the reform of the electricity market design must achieve net-zero transition, provide abundant, low carbon electricity at stable, predictable and affordable prices, stop and reverse the trend of deindustrialisation and maintain high-quality industrial employment in Europe. The future of the EU electricity market must be considered in the wider EU strategy to support a Just Transition for all, support the cohesion within Europe and eradicate energy poverty.

Background documents

For further reference, please see the previous position papers adopted by the Executive Committee of industriAll Europe:

- Statement: Europe must act now – Create the framework for European Industrial Solidarity to tackle the energy crisis – adopted in December 2022 – [EN DE FR](#)
- Position Paper: The energy prices crisis and its impact on households, industries and jobs – adopted in May 2022 – [DE EN FR](#)
- IndustriAll Europe Policy Brief: The energy prices crisis and the EU's answers – [DE EN FR](#)