

# Declaration by Nordic utilities: Clean Energy for all Europeans - Making Markets Work

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**Fortum, Statkraft and Vattenfall – the three largest Nordic utilities - welcome the European Commission’s proposals in the “Clean Energy for all Europeans” package (CEP). We believe the CEP has the potential to bring the European energy markets a significant step forward towards further integration, increased efficiency and decarbonisation.**

In particular, **we welcome the following core elements of CEP:**

- The ambition to improve the consumers’ active participation in the electricity market, including efforts to expose the final consumers to dynamic wholesale market prices in combination with the roll-out of smart meters.
- The aim to remove price caps and to allow for scarcity prices up to the value of lost load (VoLL).
- The ambition to enhance regional cooperation.
- The intention to further harmonize transmission grid tariff methodologies in order to establish a level playing field for generators across the internal market.
- The aim to enhance the level-playing field of technologies and greater market integration of renewables.
- The emphasis on electricity playing a central role in the low carbon economy.

There are, however, some **areas where the CEP can benefit from further improvement:**

## **Overlapping policies with the EU ETS should lead to adjusted supply of allowances**

The multiple policy instruments both at national and EU level directed towards the EU ETS sectors translate into lower demand for emission allowances (EUAs). This overlap of policies depresses the CO<sub>2</sub> prices and thereby hampers the ability of the EU ETS to stimulate CO<sub>2</sub> abatement. The result is a European energy and climate policy mix that is more costly and less efficient than it should and could have been.

We propose to reverse this counterproductive circle of overlapping policies by establishing a policy framework where these multiple policy instruments mutually reinforce each other. Specifically, we propose a transparent and in-built automatic system to be incorporated in the Governance Regulation which adjusts the EUA supply in order to protect the ETS from the undesired impacts of such overlapping policies. We will provide specific amendments to the Governance Regulation on this issue.

### **Efficient electricity markets will incentivise flexibility and demand response**

Larger volumes of intermittent renewables in the European electricity system will require higher degrees of flexibility in the electricity system in order to stabilize the grid. The best way to incentivise demand response and stimulate flexibility is to allow for free formation of electricity prices and free competition.

We welcome the focus on consumers in the CEP. Active consumers and demand side response are important elements to strengthen the legitimacy of market solutions and to increase the share of intermittent renewables. At the same time, to ensure an efficient energy market and a fair distribution of costs, the regulatory framework for emerging business models for i) independent aggregation, ii) local energy communities and iii) prosumers should establish a level playing field with existing market players.

### **Electrification in parallel with a strong EU ETS is a prerequisite for cost efficient decarbonisation**

Electrification is a key solution to decarbonizing the transport, heating and cooling sectors in Europe. This is also recognized in the Commission's analysis, "linking heating and cooling with electricity networks will reduce the cost of the energy system – to the benefit of consumers." Electrification of the non-ETS sectors should therefore be further promoted in the package by ensuring a coherent approach and by avoiding any regulatory or technical obstacles.

### **Ensuring a most cost-efficient European energy transition is crucial. In conclusion, we encourage the European Parliament and the Council to:**

- Safeguard the core elements in the Commission proposal, as outlined above.
- Strengthen the proposal by adopting those amendments that enforce the path towards a decarbonised Europe driven by market based instruments, level-playing field and coherent governance.