8 June 2020

JOINT STATEMENT ON THE EU ETS FUNDING MECHANISMS FOR THE ENERGY SECTOR IN MEMBER STATES WITH DIFFERENT STARTING POINTS

Carbon neutrality is an important political objective for the EU as a whole. Its achievement requires significant infrastructural investments across all sectors of the EU economy. The energy sector plays a prominent role in this process as it is key for achievement of this common objective. Through electrification of the EU economy's future energy demand it also has the potential to help decarbonise other sectors of the economy like industry, transport or buildings.

At the same time a successful implementation of the European Green Deal and its 2030 climate objectives necessitates investments, which are disproportional for energy companies in Member States with different starting points and low GDP per capita levels. This is where the European solidarity should play a fundamental role to help energy companies in Eastern Europe on their decarbonisation journey towards a common EU objective.

According to some analyses by increasing the climate target for 2030 to 55% the CO2 price is set to rise even up to 75 Euro/t (CAKE 2020). This creates operational costs, which add up on top of already significant investment costs and put altogether exceeds the total market capitalisation of the energy companies in the region several times. These huge investments need to be properly assessed and addressed by the Commission in its Impact Assessment for cost-effective implementation of the 2030 target.

The assessment needs to reflect adequately the potential of the energy sector across different EU regions to ensure security of supply at cost-competitive prices and their impact on GDP growth. Firstly, it has to take into consideration that 1 MW of installed capacity has different efficiency and reliability rates across various technologies (so-called load factors). Secondly, it needs to reflect that 1 Euro of investment and operational costs puts higher burden on energy companies in Member States with low GDP per capita levels. Thirdly, it needs to reflect and propose how to remedy any energy price increases that play a key role in household budgets with their different purchasing power ability and for energy intensive industry, which competes on international markets with products without any CO2 price component.

The signatories of this letter believe that a successful implementation of the Climate Law requires a **proportional increase of EU ETS compensation mechanisms in order to help the energy sector in Member States with low GDP per capita levels in their additional effort to implement the increased 2030 targets**. Therefore, the Climate Law should specify that the Modernisation Fund under the EU ETS needs to be proportionally increased in line with the increase of climate ambition. Additionally, the Solidarity Mechanism pool of allowances under the EU ETS should be increased significantly with the additional allowances earmarked for investments in the energy sector in the beneficiary Member States.

Only through common actions based on the spirit of solidarity can the EU achieve its long-term climate objectives without leaving anyone behind. In a strive to ensure competitiveness of its industry, it must guarantee a fair transition for its citizens at the same time. This solidarity needs to be detailed out in the Climate Law, and the Impact Assessment should already reflect different options for increased compensation mechanisms for a just and fair EU ETS Reform.

The signatories of this joint statement are ready to continue contributing to these common EU climate objectives in the spirit of solidarity by continuing to make the necessary investments with increased EU ETS funds earmarked for this purpose.

EMI ENERGY MANAGEMENT INSTITUTE

AHK Electricity Authority of Cyprus

HEP

ASSOCIATION FOR DISTRICT HEATING of the Czech Republic

ETL ESTONIAN ELECTRICITY INDUSTRIES

MVM group

PGE Polska Grupa Energetyczna

COMPLEXUL ENERGETIC OLTENIA energia pamântului românesc