

ELECTRIFICATION ALLIANCE

To:

Mrs Ursula von der Leyen

President of the European Commission

Mrs Teresa Ribera

Executive Vice-President for Clean, Just and Competitive Transition

Mr Stéphane Séjourné

Executive Vice-President for Prosperity and Industrial Strategy

Mr Dan Jørgensen

Commissioner for Energy and Housing

Brussels, 21 February 2025

Dear President of the Commission,

Dear Executive Vice-Presidents,

Dear Commissioner,

On 26 February 2025, the European Commission will unveil its **Action Plan for Affordable Energy** - a pivotal initiative in supporting industries and households through the energy transition. To secure EU industrial competitiveness and affordable electricity for all Europeans, we must ensure that Europe remains an attractive place to invest. For this to happen, the EU must stay on course toward its net-zero objective to ensure predictability and certainty for investors and key stakeholders.

The **Electrification Alliance** proposes a set of strategic priorities to shape this Action Plan:

- **Support smart, clean, and direct electrification** - smart, clean, direct electrification is the most cost-effective and resource-efficient path to decarbonisation, yet Europe lags behind compared to global peers. Supporting holistic smart electrification is required to deliver an effective structural transformation of the energy economy, allowing an accelerated uptake of renewables and clean power generation, while optimising grid investments and maintaining network stability thanks to the support of flexible consumers and prosumers. By embracing smart electrification, Europe can

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enhance energy security, reduce costs, and strengthen its competitiveness in the global energy transition.

- **Accelerate clean electricity deployment** - Renewable and clean electricity have already saved €100 billion in consumer costs (2021-2023) by displacing fossil fuels¹. To build on this success, Europe must speed up permitting for RES assets and grid infrastructure. The revised Renewable Energy Directive (RED) should be swiftly enforced while balancing environmental and social considerations. Grid operators need a strong framework to integrate more clean electricity cost-effectively while maintaining system stability.
- **Mainstream non-fossil flexibility - including demand response, storage, vehicle to grid, and electricity interconnectors** - A smarter, more flexible energy system reduces costs and integrates variable renewables efficiently². Therefore, we call upon the Member States to implement as an immediate priority, and with the support of new European Commission guidelines for unlocking the potential of flexibility from decentralised energy resources. This will allow flexible consumers and prosumers to react to wholesale electricity prices³ and participate in balancing and ancillary services. At the EU level, this should be part of a broader Flexibility Accelerator Strategy.
- **Support industries** in their efforts to decarbonise operations through clean, flexible electrification. Specifically, EU energy-intensive industries (EIs) that compete globally are under competitive pressure from, among other factors, high energy costs. Specific measures are needed to support the electrification of industries, including targeted financial support to advance industrial electrification and measures to enable the uptake of PPAs and other long-term contracts.

¹ IEA Renewable Energy Market Update - June 2023

² SolarPower Europe (2024) Mission Solar 2040: Annual savings in energy system costs at EU level – By 2030, €30 billion of costs savings and an annual net GHG emission savings amount to 151 MtCO₂eq

³ [2024 smartEn Map on Wholesale Markets: Enabling demand-side flexibility in Europe](#)

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To enable the above in the EU, we urge the European Commission to ensure:

- **Fair taxation** – On average, electricity is taxed 1.4x more than fossil fuels in Europe⁴. To address this, electricity excise duties should be reduced at least to the European minimum level, ensuring a fair and consistent regulatory framework across Member States while making electricity more competitive, including ending storage double-charging. Additionally, National Governments should remove non-electricity-related taxes and levies from electricity bills, and in general explore removing energy-related taxes from electricity bills to enhance affordability for all consumers. A fair taxation system should follow the "polluter pays" principle.
- **De-risked investments for clean electricity generation** – Specifically for renewable generation expansion €140 billion is needed annually, alongside electrification of heating and transport. Financing options like mezzanine capital, EIB-backed guarantees, and an Electrification Bank should be explored. Direct aid to end users (CAPEX/OPEX) should incentivise electrification and smart electricity use. Such aid must be transitional and time-bound to drive private investment.
- **Expanded and smarter EU electricity grid infrastructure** – The EU must expand, renew, and digitalise electricity grids at both transmission and distribution levels. Currently, 30% of Europe's grids are already past their regular lifetime, and without action, this could reach 90% by 2050. An old grid is an inefficient grid. In the EU Action Plan for Grids, the European Commission estimates that €584 billion in investments are necessary for electricity grids this decade, covering both CAPEX and OPEX investments.
- **Deployment of long-term market-based tools** - Long-term contracts, including Power Purchase Agreements (PPAs) and Contracts for Difference (CfDs), can shield consumers from volatility and drive clean electricity investments. To facilitate Power

⁴ Eurostat and Eurelectric Power Barometer 2024

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Purchase Agreements (PPAs), the EU and the European Investment Bank (EIB) should introduce counterparty guarantees. They should also extend long-term transmission rights (LTTRs) with a system-wide perspective to enhance cross-border electricity trading and efficiency. Additionally, measures are needed to support the adoption of PPAs by energy-intensive industries. CfDs also play an important and complementary role in accelerating the deployment of renewable and clean electricity capacities, and in ensuring long-term price stability for consumers. Therefore, while remaining voluntary, they should continue to be incentivised to complement existing spot and forward markets.

- **Swift implementation of the revised Electricity Market Design (EMD)** - The internal energy market delivers €34 billion in annual savings. The Draghi report confirms that marginal pricing has reduced price disparities across Europe. Now, the focus must be on implementing the agreed EMD reforms to empower consumers, and enhance market efficiency, also by activating their flexible demand. Clear price signals are key to providing clarity for investors as the energy sector works to overcome recent Government interventions in electricity markets, which have damaged investor confidence.
- **State aid rules** that prioritise direct electrification as the most efficient pathway for industrial decarbonisation, whenever technically feasible, especially for processes requiring low- and medium-temperature heat. This requires adjusting the GHG emission avoidance methodology, increasing aid intensity for electrification technologies, and providing targeted CAPEX and OPEX support. To mitigate investment risks and energy price volatility, state aid should incorporate mechanisms like Carbon Contracts for Difference. Aid for non-fossil flexibility support schemes is important to maintain the security of decarbonised grids and to lower the cost of energy. Such schemes should encourage flexible industrial plants to help balance the grid while taking care not to penalise industrial consumers that require a stable electricity supply.

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The Electrification Alliance, a coalition of leading associations believes that electricity is the key energy carrier for an efficient, decarbonised, and cost-effective European future. Our alliance brings together experts from renewable energy, transport, heating, grid infrastructure, and electrification technologies, united by a shared vision: a future where electricity drives Europe's energy system, reducing emissions, enhancing energy efficiency, and ensuring affordable power for all.

For more information about the Electrification Alliance: <http://electrificationalliance.eu/>

| Alliance members

