



*The Director General*

Ms Kadri SIMSON  
President EU Energy Council  
Minister of Economic Affairs  
and Infrastructure  
Suur-Ameerika 1, Tallinn, 10122  
Estonia

Brussels, 15 December 2017

## **Clean Energy Package: Market Design, Renewables and Governance Proposals**

Dear President, dear Ms. Simson,

The Energy Council will convene on 18 December 2017 to reach an agreement on general approaches on key initiatives of the Clean Energy Package: the initiatives for a new internal electricity market design, the promotion of energy from renewable sources and the future Governance of the Energy Union. We thank the Estonian Presidency for its commitment to strike a forward looking, resilient deal for Europe and its people and its serious efforts on reaching tangible compromises.

However, Orgalime – representing the European engineering and technology industries – is concerned with the overall comprehensiveness and balance of the initial Commission Clean Energy Package being diluted by Member States, first in the area of energy efficiency, and now in the areas of the market design, renewables and governance. We believe this will both obstruct Europe's ability to live up to its international commitments and undermine European technology manufacturers' continued global leadership in the irreversible energy, climate and digital transitions.

Considering the three given objectives of the Clean Energy Package, namely:

- prioritising energy efficiency,
- achieving global leadership in renewable energy, and
- providing a fair deal for consumers,

Orgalime urges Member States to restore several key ambitions in the general approaches to be adopted, which regrettably have been watered down in latest Council proposals. We specify these in the annex.

Also, as outlined in [Orgalime's earlier position paper](#), we believe Member States should step up efforts in the pending trilogue negotiations on the Energy Performance of Buildings Directive (EPBD): prioritising the renovation of the existing building stock, grasping the opportunities of technical building systems, setting in place determined long-term renovation strategies and a smartness indicator are all indispensable prerequisites for moving forward on implementing the Paris climate change agreement, on improving living conditions for ordinary citizens and on creating an integrated modern energy system.

*The European Engineering Industries Association*

If Europe does not maintain and exploit its first mover advantage when fostering renewable energies, energy efficiency, smart (distribution) grids and competing on the development of other low carbon technology markets globally, there can be no doubt that other regions will take its place. In fact, many are already doing so.

We encourage Member States to agree on general approaches on 18 December 2017 that create a fresh boost to jobs and growth in Europe and a win-win for all stakeholders - the planet, EU citizens and European industry. These would be the market signals needed at a moment when the Paris Agreement is celebrating its second anniversary.

The European engineering and technology industries represented by Orgalime remain committed to contributing to a successful implementation of the future package.

Yours sincerely,



Malte LOHAN

ANNEX: Key ambitions to be pursued in the Council general approaches



## **ANNEX: Key ambitions to be pursued in the Council general approaches**

### **1. Electricity Market Design Proposals**

- Setting in place a market driven and competitive market design, where price peaks function as investment signals rewarding flexible, clean and “fast delivery” technology solutions. Price signals reflecting actual scarcity and a market that values flexibility at a fair price through dynamic retail tariffs are the way forward (articles 2.11 and 11 of the Electricity Directive)
- Articles 11 and 12 of the Electricity Regulation on priority dispatch, re-dispatching and curtailment should allow priority dispatch for small installations and demonstration plants, as the Commission suggests.
- Articles 16 and 17 of the Electricity Regulation should truly incentivise Distribution System Operators (DSOs) to invest network remuneration into smart (distribution) grids. Time differentiated network tariffs should be introduced.
- More determined action should be taken to remove today’s overcapacity with particular regard to most polluting and less flexible power generation that is distorting the price signal on the internal energy market and represents a key barrier to consumer empowerment, demand response and deployment of innovative low carbon and energy efficiency technologies (we support the Commission proposals for article 23 of the Electricity Regulation, including articles 23.4 and 23.5). Capacity mechanisms should be open to all resources such as energy efficiency, demand response, storage, all generation technologies, and cross border capacity. Article 18 of the Electricity Regulation should clarify that capacity mechanisms need to stop if resource adequacy concerns were addressed.
- As the role of DSOs evolves, a more performance based remuneration of DSOs to incentivise investment into smart distribution grids will be necessary to enable the EU to live up to its commitments (articles 16 and 17 of the Electricity Regulation, article 32 Electricity Directive).
- The definition of energy storage in article 2.47 of the Electricity Directive should be open to all types of storage technologies, as the Commission suggests.
- Article 59.1(k) of the Electricity Directive should “measure”, not “assess”, the performance of Transmission System Operators (TSOs) and DSOs in relation to the development of the smart

### **2. Proposal for a Directive on the promotion of renewable energy sources**

- Articles 21 (Renewable self-consumers) and 22 (Renewable energy communities) should reinstall the right of consumers to receive a remuneration that reflects market value when they sell surplus electricity to the grid; by deleting this right while at the same time introducing the new obligation on self-consumers “to contribute to the overall cost sharing of the system”, the draft general approaches in our view do not prepare Europe for the co-existence of centralised and decentralised energy generation.

### **3. Proposal for a Regulation on Governance of the Energy Union**

- Article 27 and 28 require strengthening to ensure fair burden sharing among Member States: the Commission’s powers of issuing recommendations on draft national and energy plans should not be limited to recommendations of non-quantitative nature, as this would restrict the EU’s ability to close delivery gaps.