

Vice-President Šefčovič on the Future of the European Internal Energy Market

Speech by Vice-President Šefčovič, in charge of Energy Union, at the Euractiv conference on the future of the European Internal Energy Market, in Berlin

Ladies and Gentlemen,

I am always delighted to speak about EU policies outside of the Brussels bubble, connecting it with other European capitals and cities who have an equal stake at our discussions. Therefore, I would like to thank our Commission Representation here in Berlin and Euractiv for putting this event together and to you – sitting here – for your continued interest.

The fundamental question of today's event is the future of Europe's internal energy market. This was indeed one of the five pillars of the Energy Union when we presented it back in 2015. There are many ways of addressing this question, from our work on infrastructure, reforms in regulation, the role of ACER, etc. But in the short time we have I'd like to touch upon one of the most complex and profound transformational legislations we presented during this mandate: the Clean Energy Package. This package reshapes our entire electricity market from a system of nationally centralised, fossil-based energy into one decentralised across borders and sectors, and based on renewables. Of course this can only be done if we ensure a well-functioning, fully integrated electricity market.

We have definitely seen progress in the integration of the national energy markets over the last years. Cooperation between transmission system operators has improved and the technical requirements for connecting electricity networks across borders have been put on a common basis.

Nevertheless, much less than 50% of the interconnector capacity in the EU is currently made available to the market. I think you will all agree there is considerable room for improvement.

That is why our actions were aimed at maximising the possibilities to trade electricity across borders. Any restriction to trade of electricity across borders should be exceptional and needs to be justified with good reasons. Otherwise it will not be possible to reap the benefits of an integrated electricity market.

This saves resources and offers possibilities for consumers. It also contributes to security of supply: sharing reserves, increasing interconnections, and efficiently using available capacities enables everyone in Europe to be supplied at affordable costs even in crisis situations. This is especially important for Germany, with its central geographical location and its high share of renewable electricity production. Key for this, are efficient price signals that show where investments should be taking place.

Another key element of the new market design is the focus on consumers. The new rules will allow anyone to generate, consume, store and sell self-generated electricity and thereby contribute actively to the energy transition. But even the name prosumers is not enough to describe the scope of consumer empowerment of our package because it also addresses consumers' protection and rights like never before; ensuring greater transparency, ease to change suppliers, etc.

As you can see, the system is changing in terms of the sources of energy, the way in which it is traded, and also the traditional roles of the players. The most obvious ones are the empowered consumers.

- But think also about market aggregators will now be able to trade aggregated loads from consumers in the different markets and hence establish the link between the retail and the wholesale markets.
- Energy communities / cooperatives will enable tenants to actively participate in the energy transition and benefit from renewable energy production. We believe that this new framework should provide a solid legal basis for more consumers to invest in renewables generation and to increase acceptance (-> from NIMBY to PIMBY).
- It goes without saying that the electricity system of the future will be more sustainable, but also more complex than in the past. Transmission and Distribution System Operators will have a key role as neutral facilitators and enablers in a system with an increasing number of decentralised two way market participants.

While the negotiations on some parts of this package are not easy, I am optimistic that we will conclude the trilogues by the end of this year. Meanwhile, I am very reassured by the political agreement to increase the energy efficiency and renewable targets (to 32.5% and 32% respectively). As for GhG emissions, we are still highly committed by our 40% target by 2030 as we presented as we presented ahead of the Paris Agreement.

Now the good news is that with the Clean Energy Package we are expecting to overachieve and reduce our emissions by up to 45%. The bad news is while Europe is aiming very high, we now know that the aggregated national commitments (NDC) of the Parties to the Paris Agreement are still not enough for limiting global warming to 1.5 degrees. I'm sure you've all seen the IPCC Report from last month which indicated that in order to reach the Paris Agreement objective we may need to reach a global carbon neutrality by 2050 and greenhouse gas neutrality soon after. The global industry might therefore need to drop its GHG emissions by up to 90% compared to 2010 levels.

This a huge challenge which requires us in Europe to think further ahead, well beyond 2030. Of course, the further ahead we look into the future, the more difficult the challenge becomes. It requires more analysis, more research, more consultation, and more vision.

I know that there is great expectations by governments and stakeholders to see the Commission's long-term Strategy for a mid-century greenhouse gas reduction, which we will present later this month. Meanwhile, I can assure you that this will be a far-sighted vision into modernising Europe's entire

economy, across all sectors. This will also serve our message to the world in COP24 in Katowice: we, Europeans, do not need to be the first emitters in order to become the first economic power. We have already decoupled economic growth from CO2 emissions over the past few decades. We will now make the next step of building a resilient, modern, innovative, and competitive economy but this time it will be entirely carbon neutral! We will manage to do this together, united as Europe, using EU and other policies to ensure this is economically and socially feasible.

I have no illusion that this can be done from Brussels alone. The EU will continue to steer, stimulate, incentivise, regulate, and facilitate. But in the end, we are talking about an extensive, systemic, profound change across our entire economy and society. This will require all of us, across sectors, to embrace the change. Whether we call it *energiewende*, energy transition, transition *énergétique*, or any other term, this will be our generation's major challenge and legacy. And this will be this Commission's legacy for the next one to follow up on.

Thank you very much.