



- Position paper -

The “Road from Sibiu”: making use of markets for a cost-efficient and innovation-driven transition to full climate neutrality by 2050

Brussels, 9 May 2019 | Today, a long and intense debate on the “Future of Europe” that started two years ago in Rome comes to a close at a European Council summit in Sibiu. One of the key topics of this strategic exchange has been Europe’s future climate and energy policy, notably with regard to the EU’s *Clean Planet for All* strategy and the overall United Nations Framework Convention on Climate Change process.

In this context, we call upon the European leaders gathered today in Sibiu to keep up with their Paris commitments and to include a strong recognition of market principles in the relevant strategy documents and in the enabling subsequent framework. In order to transition towards full climate neutrality by 2050, it is essential to have fair and open competition play its role. And competition, innovation and change are best enabled by strong price signals provided by efficient, transparent and reliable markets. To support this, we set out below a number of existing market mechanisms that we believe are key to drive deep and cost-efficient decarbonisation up to 2050 on the “Road from Sibiu”.

An efficient and integrated European internal energy market will be central to facilitate the transition to a climate-neutral energy sector. Transparent price signals and the possibility to trade ever closer to real-time allow increasing amounts of renewable energy, in particular intermittent sources like wind and solar, to be efficiently integrated into the system and to ensure that production and consumption needs are met at all times. Vital market principles include undistorted price signals, technology neutrality, open and fair access as well as clear principles for asset ownership, i.e. strict unbundling. The steady integration and increased liquidity of European energy markets has led to improved trading efficiency and better balancing of demand and supply. Overall, this has resulted in lower prices for consumers at a greater level of security of supply.

A robust but evolving market design will be vital as the energy system keeps changing. The recently reformed electricity market design, introduced as part of the Clean Energy for All Europeans package, provides a strong foundation for the energy transition. However, it will be necessary to ensure that

the commitment to strong market principles will be upheld in the long-run along the natural evolution of the energy markets. This includes aspects such as sector coupling, unlocking additional flexibility and integrating renewable and low-carbon gases into the energy system. Clear regulatory conditions and reliable market mechanisms will provide the stability needed to deliver the necessary innovations and investments to decarbonise rapidly and in a cost-efficient manner.

The EU Emissions Trading Scheme (EU ETS) must remain Europe’s core instrument for reducing greenhouse gas emissions in a cost-effective way. The trading of emissions allowances provides the necessary flexibility for efficient and cost-effective decarbonisation. Simultaneously, a strong EU ETS promotes investments and innovation in low-carbon technologies and is the right tool to drive decarbonisation. While the recent Phase IV reforms have achieved notable improvements, further efforts are needed to ensure that the EU ETS is maintained as an essential tool in the fight against climate change in the coming decades. Expanding the scope to include further sectors, such as road and maritime transport, and ensuring coherence with national policies will help to achieve this. In addition, Europe should be a key promotor of Article 6 of the Paris Agreement and for fostering the establishment of new emissions trading schemes around the world.

Guarantees of Origin (GOs) are a reliable tool to certify the origin of renewable electricity and the scheme should be further extended. The recent review of the Renewable Energy Directive (RED II) has extended the scope of GOs to renewable gas as well as heating and cooling. Improvements like full disclosure of all sources would increase the transparency in these markets, facilitate cross-border trade and drive consumer demand for renewable energy across the EU. With growing demand, GOs can also provide important revenue streams for renewable installations. Similar efforts should be undertaken to further strengthen the market for **energy efficiency certificates (white certificates)**.

About

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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