

**EU CLIMATE POLICY and ELECTRICITY MARKET**

**\*\*\*Agenda\*\*\***

***This meeting is under Chatham House Rule.
Some speakers are still being confirmed.***

**Date:** May 17, 2023

**Time:** 14:30-16:30 (CET)

**Location:** Hybrid Webinar, **61 Rue Archimede, Brussels**

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| The ERCST workstream on “EU Climate Policy and Electricity Market” provides analytical input on the interactions between EU climate policy and electricity market. Within the scope of the first part of this project (1st quarter of 2023), the ERCST team has developed a framework matrix (Annex 1) for analysing the elements of the EC proposal on electricity market reform through a climate change lens. Following on this preliminary work, ERCST is now focusing on discrete interaction’s cells of this matrix framework. During this event, the attention will be given to the short-term pricing elements (including marginal pricing and market interventions) and their interactions with relevant climate policies (ETS, RED...) to understand whether/to which extent these provide short-term operational signals for decarbonization. To reduce its dependence on Russian fossil fuels, the EC has introduced REPowerEU in May 2022. Gaz supplies reduction by Russia is the main cause of the recent skyrocketing gas prices in the EU, which have impacted the price of electricity produced in gas-fired power plants and affected electricity prices overall: the EU wholesale electricity market is based on a marginal pricing system, and gas-fired plants are often the marginal unit. This situation has led to unreasonable windfall profits for some electricity generators and consumers paying far more for their electricity than is justified by the cost of production. As the price of energy was expected to remain in the EU, emergency market interventions were then introduced by the Council Regulation (EU) 2022/1854 in October 2022. To address the social and economic impacts of the energy crisis, the EC published in March its proposal for reforming the EU electricity market design to boost renewables, better protect consumers and enhance industrial competitiveness. It aims at enhancing the viability of long-term contacts, while preserving the current framework of the EU wholesale electricity market based on marginal pricing. This meeting will start by a presentation by ERCST which will provide the discussion background. This will be followed by preliminary remarks from the European Parliament. Will then follow a panel discussion during which speakers will share their views and provide their opinions on the proposal. Interventions and debate from the audience will take place during the following Q&A session. |

**14:30** **Welcome and Introduction** - **Opening remarks**

* Andrei Marcu, Executive Director, ERCST

 **14:45** **Preliminary remarks**

* European Parliament *(To Be Determined)*

**15:00 Panel Discussion**

The key questions to be addressed in the panel session are the following:

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| * To which extent the EU wholesale market marginal pricing mechanism, in interaction with climate policy (ETS, RED and/or others if applicable) provide short-term signals for decarbonization?
* What are the lessons learned from the impacts of short-term interventions (e.g., inframarginal revenue cap, Iberian exception, windfall profits tax) on markets and climate policies? Do they impact/provide signals for decarbonisation?
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Moderator: Andrei Marcu, Executive Director, ERCST

* Daniele Agostini, ENEL
* Alain Taccoen, EDF
* Christian Baer, EUROPEX
* Jerome Le Page, EFET
* Dominique Noel, Air Liquide

**16:10**  **Q & A**

**16:25** **Concluding remarks & end of the meetin****g**

# **ANNEX I- Framework Matrix – Overall Results**

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| *Desirable Outcomes**EMD Provisions* | A. Short-term signals for decarbonization | B. Long-term signals for decarbonization | C. Competitiveness | D. Affordability | E. Security of Supply |
| 1. Short-term Pricing Mechanisms |
| 1. i) Marginal Pricing |
| Marginal Pricing Mechanism  | + | - | o | o | + |
| 1. ii) Market Interventions |
| Iberian Exception | - | - | + | + | o |
| Inframarginal Revenue Cap | - | - | + | + | o |
| Windfall Profit Tax | o | - | + | + | o |
| 2. Medium to Long-term Instruments |
| PPAs, CFDs, Forward Markets  | o | + | + | + | + |
| Capacity Remuneration Mechanisms | + | + | + | + | + |
| 3. Flexibility Options |
| Flexibility Options (Storage and Demand Side Management) | + | + | + | + | + |