EUROPEAN GREEN DEAL RISK RADAR | UPDATE

What to watch out for in the EU's new legislative term 2024-2029



ELECTRICITY MARKET REFORM

Regulation (EU) 2024/1747 and Directive (EU) 2024/1711 on improving the Union's electricity market design

The Regulation and the Directive define the rules for the interaction of electricity generators, traders and consumers as well as for the use of electricity grids under the control of market regulators. The revised versions aim at speeding up the growth and the grid integration of more renewable electricity to secure the supply of low-cost clean energy. After the energy price crisis of 2022, consumers also should be better protected to benefit from engaging in markets.

WHAT'S IN IT?

OBJECTIVE

Climate ambition

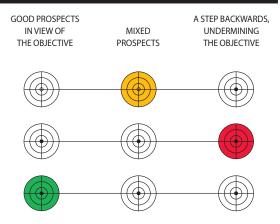
In view of respecting the limit of 1.5°C global warming under the Paris Agreement

100% renewables

Accelerating the phase-out of fossils and nuclear

Fair participation

Of citizens in the benefits of the European Green Deal



WHAT'S NEXT?

STATUS

Entered into force



MILESTONES

By December 2025

European Commission Guidance on Contracts for Difference and remuneration of flexibility; Citizens Energy Package incl. Guidance on switching supplier and measures to reduce energy poverty

By June 2026

European Commission report and potential proposal on the Regulation

By July 2026

EU Member States to transpose new right to share energy

Mid-2027

White Paper on deeper electricity market integration and Electrification Action Plan

WHAT TO WATCH OUT FOR?

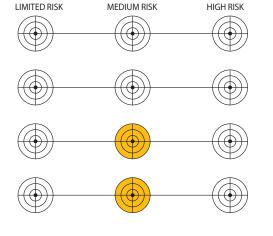
RISK

Speed. Slowing down the EU law's progress or implementation.

Money. Conflict on distributional effects or lack of finance for making this EU law impactful.

Fossil fuels. Open door to supporting the use of fossil fuels.

Nuclear power. Open door to supporting the use of nuclear power.







Electricity Market Reform

WHAT'S IN IT?

Climate ambition

Missing an explicit link to more ambitious climate targets but including a reference to EU-wide auctions to reach the renewable energy target (Regulation art. 19c). Promoting investment security for an accelerated growth of renewable capacities. New indicative objectives for flexibility solutions that largely exclude fossil fuels (Reg. art. 19f, h).

100% renewables

Turns capacity mechanisms from an exception into a structural element of electricity markets with a derogation allowing continued use of fossil fuels. Allows EU Member States to support new nuclear power plants, repowering and lifetime extensions through long-term Contracts for Difference (CfDs).

• Fair participation

Introduces a new right to share energy (Directive, art. 15a) facilitating access to renewable energy independently from ownership, asking for fair and cost-reflective network tariffs. Right to have a dynamic as well as a fixed-price tariff (Dir. art. 11). Strengthening consumer protections against disconnections (Dir., art. 28a), introducing the right to dedicated measurement devices to save costs with demand response (Reg. art. 7b).

WHAT TO WATCH OUT FOR? RISKS









Nuclear power

Some EU Member States (such as PL) are pushing for a simplified introduction and prolongation of capacity mechanisms for continued use of fossil fuel-fired power plants, hindering the uptake of renewables, of demand response and other flexibility solutions.

CfDs potentially allow for subsidies for nuclear power plants (as envisaged by Member States such as FR), distorting wholesale markets and renewables growth. If the European Commission does not apply strict criteria for assessing potential market distortion from CfDs for nuclear power plants, national governments could shift considerable financial support to their national nuclear power plant operators.

The Action Plan for Affordable Energy under the EC's Clean Industrial Deal suggests additional support schemes mainly for energy-intensive industries. Capping their electricity costs however should not just shift the financial burden to household consumers and small businesses.

'Síkela [Czech industry minister] insisted on improving access to finance for nuclear projects, which have frequently gone over budget and deadline in the past years, spooking off private investors.'

- EURACTIV. 9 JANUARY 2024

WHAT'S NEXT?



Entered into force on 16 July 2024

Transposition by EU Member States

By 17 January 2025, except for the new right to share energy by 17 July 2026.

Revision clauses and reporting duties

In March 2025, the European Commission (EC) has assessed the potential simplification of the process of applying a capacity mechanism. In its upcoming Clean Industrial Deal State Aid Framework (under consultation by April 2025), the EC presents proposals for legal changes that would make it easier for Member States to introduce this tool.

By 31 December 2025, EC report and potential legislative proposal on the Directive, in particular to assess the service quality offered to final customer and protection of vulnerable and energy-poor customers (art. 69.2).

By 30 June 2026, EC report and potential legislative proposal on the Regulation, in particular on the functioning of electricity markets, the legal and financing framework on distribution grids and market platforms for PPAs (art. 69.2).

Delegated acts and other related legislative action

EC tasked to assess the gap filler mechanism of the Governance Regulation (EU) 2018/1999 (art. 33) to close the gap between the binding 42.5% and the indicative 45% renewables target (Reg., art. 19c).

The Action Plan for Affordable Energy in February 2025 announced several EC initiatives that deepen and expand some of the key elements of the Electricity Market Reform:

- Recommendation and Guidance on network charges in Q2/2025
- · Citizens Energy Package incl. Guidance on switching supplier and measures to reduce energy poverty in Q3/2025
- · Guidance on CfDs and on promoting the remuneration of flexibility in Q4/2025
- New rules on demand response for consumers in Q1/2026
- · White Paper on deeper electricity market integration and Electrification Action Plan by mid-2027

HOW TO IMPROVE IT? OPPORTUNITIES

EC proposals on capacity mechanisms should set phase out dates for the use of fossil fuels.

Dedicated EC guidance on the design of CfDs should avoid ambiguity on support to nuclear power.

Households and consumers should get access to long-term price stability by obliging retail electricity suppliers to integrate a certain share of renewable PPAs into their portfolios.

FURTHER READING

Heinrich-Böll-Stiftung EU & Environmental Action Germany (DUH): The 100% Renewable Energy Action Plan for the next European Commission, April 2024; Accelerating the European energy transition. Impetus for the EU reform debate, September 2024