

ETUC proposals for the Revision of the EU's electricity market design

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A reform of the energy market, away from liberalisation dogma, is badly needed

The trade union movement has been critical of the historical decision to liberalise the EU energy market. ETUC believes that important structural features of the Directive and Regulation on the internal market for electricity have contributed to exacerbating the energy price crisis and should be revised.

The EU institutions cannot satisfy themselves of the current relatively low, yet still very volatile prices of energy. Energy prices to consumers remain high. In addition, the factors affecting variations of prices were predominantly influencing prices downward in winter of 2022-2023 with full gas storage, reduction of consumer demand linked to fear of high energy bills, drop in industrial production, clement weather, and less competition on access to GNL because of the drop of Chinese demand. Should any of these factors change, and they will, prices will immediately increase as nothing serious has been put in place to counter speculation strategies. Necessary structural interventions for energy saving and efficiency have not been made either. Besides short-term urgent measures, which were needed in 2022 to mitigate the effect of the energy prices crisis, ETUC urges to go beyond a cosmetic adjustment to launch a deep reform of the electricity market.

Given the structural nature of the energy crisis, ETUC calls on policymakers to engage in a deep reform of its EU energy policies away from liberalisation dogma that recognises energy as a public good under democratic control, and that makes the right to clean and affordable energy with more substantial public service obligations effective. The EU energy policy must foster a just transition towards climate neutrality by 2050 and contribute to the EU strategic autonomy. The current design of the electricity market is an obstacle towards these objectives.

ETUC calls on EU policymakers to agree on a structural reform of the electricity market that will secure investment at scale in the additional generation capacity needed as well as in developing the infrastructure to transport, store and distribute clean power. That reform must also prevent fossil fuels from setting the price of decarbonised electricity. ETUC also suggests further strengthening a cap on gas price in electricity generation with a financial mechanism that relies partly on contributions from the windfall profits made by some energy companies. Combined with a reform of the electricity market, this would allow investing large amounts of money in producing clean power and in energy efficiency.

Marginal pricing system

First and foremost, policymakers should revise the current price-setting mechanism based on marginal pricing so that fossil fuel is no longer used as an electricity price setter. Fixing the electricity prices basis on fossil fuel generation is not adapted to a world aiming at carbon neutrality where renewable energy sources, producing energy at a much lower price, will become increasingly important. The marginal price-setting mechanism is particularly problematic in the context of high commodity prices and increasing carbon prices. This creates enormous windfall profits for energy producers throughout the energy value chain (production, transport, marketing and distribution) and disincentivises the phasing out of fossil fuels. EU policymakers should decouple the electricity price-setting mechanism from the gas price so that electricity prices reflect the costs of the generation mix used to serve their consumption. As a short-term measure, we propose the EU-wide implementation of the Iberian Price Cap.

Speculation on financial markets

Speculation on financial markets also contributes to volatility and price hikes without necessarily reflecting fundamental supply and demand factors. ETUC believes that more ambitious regulations should control those financial markets and prevent speculation, complemented by heavy taxation of the windfall profits.

Energy as public good

Contrary to the full liberalisation of the energy market and in line with the idea of creating a proper right to energy for EU citizens, the EU should ensure that access to affordable energy is considered a human right and its transport and distribution infrastructure are considered as a common good and not as a market commodity. The EU must make it clear that Member States can regulate prices, while Member States are responsible for its concrete design. A single buyer model, a publicly-owned entity that would purchase electricity from generators should also be considered. Investment in clean power capacity should not only be made through subsidies to big producers who often act with monopolistic behaviours. If large amounts of public money are devoted to be invested, it's worth developing the infrastructures through public ownership, planification and democratically driven-decision making as well as by promoting energy communities. The short-term profit exigencies of shareholders of energy companies are unfit for the challenges of our times.

Affordability of energy for citizens.

The EU should investigate the possibility of ensuring a minimum floor of energy for citizens, which would benefit low and middle income households and tenants, in order to eliminate energy poverty. Member States can also regulate tariffs to this end. Prices should disincentivise energy waste for high-income households and landlords, and create resources to finance support schemes. Income, family composition, space and energy efficiency of the building should be taken into account in designing carefully a people and planet-oriented energy system. This should be coupled with possibility for households to access long-term contracts and public support to energy renovation to decarbonise rapidly consumption.

Predictability of prices for companies

To support transparency and predictability so that companies are protected against price variations that put at risk thousands of companies' economic viability and subsequently millions of jobs, it should be mandatory for suppliers to offer the opportunity to opt for fixed long-term energy contracts. Additional support aimed primarily at SMEs and enterprises in difficulty can also be designed to protect jobs, with environmental and social conditionalities, to speed up energy efficiency, energy saving and self-production of energy measures.

Ban on disconnections

Articles 28 and 29 of the 2019/944 Directive dealing with vulnerable consumers and energy poverty should be revised to introduce a permanent ban on disconnections and to step up the fight against energy poverty.

Just Transition, also in the Electricity regulation

This opportunity should also be used to revise Article 4 of the 2019/943 Regulation to clarify the concept of just transition and to stress the role and the need for the involvement of social partners in the anticipation and management of change. Improving working conditions and wages in the energy sector is also crucial to keep and attract workers in the sector.