

## Open letter from the Electrification Alliance on the Multi-Annual Financial Framework *Towards clean and smart infrastructure spending*

To: Commission Oettinger,

Cc: Vice-President Timmermans, Vice-President Sefcovic, Commissioner Moedas, Commissioner Arias Cañete, MEP Jan Olbrycht, MEP Isabelle Thomas, MEP Jean Arthuis

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Dear Commissioner,

The co-signatories of this letter represent a broad cross-section of European interests striving to support the EU's efforts to meet its climate commitments under the Paris Agreement and the UN's Sustainable Development Goals (SDGs).

**We highlight the opportunities coming from the smart and efficient electrification of European energy use as a means to achieving the EU's climate commitments while improving its competitiveness**, creating high quality jobs, and asserting global industrial leadership in the development and deployment of new technologies. Electrification is further driven by trends in the economy on fuel efficiency, digitalisation and automation, which in turn can make technology work for vulnerable sectors of society such as low-income households, local actors and SMEs. It is also a driver for cost-reductions and increasing shares of renewables.

**We would like to express the importance of aligning the upcoming Multiannual Financial Framework (MFF) post-2020 with these commitments and opportunities, which we believe requires the European Commission to revisit its approach to energy infrastructure spending.**

Significant investments are needed in transmission and distribution electricity grid by 2030 to support the decarbonisation of the power sector and to realise a European electricity market that would benefit all consumers and businesses<sup>1</sup>. So far, the Connecting Europe Facility (CEF) has contributed €1,210 million to the development of new interconnections. Efforts should be steered towards dedicated infrastructure investments that can further mobilise private capital.

Specifically, the Alliance recommends the following improvements to the regulatory and governance frameworks.

- ➔ **The regulatory framework stemming from the TEN-E regulation and the CEF needs to be revised to consolidate a decarbonized, integrated Energy Union.** Synergy projects between transport and energy such as smart charging deserve better financing and eligibility conditions under this framework. Similarly, small-scale smart grid projects and demand-side investments also face important challenges when accessing funding, while providing significant benefits to the grid and the local socio-economic fabric. Such is the case when integrating heating and cooling technologies in smart grids (sector coupling by the use of e.g. heat pumps, electrical furnaces, electrolysis facilities), which can provide flexibility to the power system and efficiently heat residential and commercial buildings as well as power industrial processes; or when integrating small-scale solar, heat pumps and storage facilities for local system optimization. A better balance between large and small projects is therefore necessary. At the same time, the Commission should look at **improving the decision-making and governance structures around the list of Projects of Common Interest (PCI list)**, for example by clearly defining objectives for the 'regional groups' that select projects of common in-

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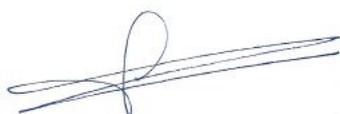
<sup>1</sup> According to ENTSO-e TYNDP figures, transmission assets with EU significance represent investments of €150 bn.

terest. This will improve the visibility and value of integrated regional projects like offshore grid combined with offshore wind generation and interconnections. Beyond this, an EU-level foresight functionality is needed to help infrastructure planners keep pace with technology and economic change.

- **The role of Cohesion Policy in financing the transition towards a cleaner, fairer and more competitive economy should be enhanced.** At the moment, **the European Structural and Investment Funds (ESIF)** are channeled towards projects at odds with the EU's climate and energy commitments. The rules governing ESIF after 2020 should focus more strongly on providing a clear, stable framework to accompany private investments in line with our commitments under the Paris Agreement, offering stricter requirements in the field of climate and energy and support for those countries and regions that find it harder to attract private capital and rely heavily on fossil fuels.
- Cohesion Policy and the ESIF can also become a driver for faster implementation of the Clean Energy Package, for example via ex-ante conditionality and conditional access in relation to the National Energy & Climate Plans (NECPs). Special attention should be given to support a harmonious modernization of the power sector also in carbon-intensive regions, enabling the transition towards a carbon-neutral power system and ensuring that potential negative impacts on business, employment and living conditions are anticipated and mitigated.
- **Make better use of financial instruments in order to meet the EU-wide 2030 renewable energy target equally across Europe.** Investment platforms have been considered under the European Funds for Strategic Investments (EFSI) as a key instrument for closing market gaps under long-term infrastructure financing and ensuring a geographically balanced distribution of funds. Such platforms should be further promoted also in the renewable energy sector and include wider risk-mitigation tools based on credit enhancement financing, including focus on reducing the cost of capital for RES investments across Europe<sup>2</sup>. The funds could be channeled through the European Investment Bank (EIB).

**We thus call on the European Commission to allocate public expenditure only to investments that support the EU's climate and energy goals such as carbon neutral infrastructure.** We advocate adequate financial support to areas that will enable both increased climate ambition and delivery of our commitments in the period up to 2030.

Yours sincerely,



Philippe Vangeel  
Secretary General AVERE



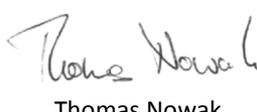
Kristian Ruby  
Secretary General, eurelectric



Laurence Tubiana  
CEO, European Climate Foundation



Bernard Respaut  
CEO, European Copper Institute



Thomas Nowak  
Secretary General, European Heat  
Pump Association



James Watson  
CEO, SolarPower Europe



Giles Dickson  
CEO, WindEurope

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<sup>2</sup> See High-Level Expert Group on Sustainable Finance recommendation on a Renewable Energy Cost Reduction Facility.

## ELECTRIFICATION ALLIANCE PARTNERS

In June 2017 more than 50 organisations joined forces to create The Electrification Alliance. Our alliance stands united in our commitment and vision to demonstrate the significant potential of electricity on its path towards decarbonisation. The alliance partners are strong supporters of the Paris Climate Agreement and call for urgent action to achieve its objectives. This action requires an ambitious system approach, recognising the need to decarbonise the European economy, while advancing Europe's competitiveness, economic growth, job creation, and the promotion of a sustainable, healthy society for European citizens. Smart and efficient electrification offers this system approach, enabling the decarbonisation, sectoral integration, digitalisation, and increased efficiency of the transport, heating & cooling and industrial sectors. The Alliance seeks to highlight in its communication essential policy decisions in EU Energy & Climate policy to fully unlock the benefits of electrification across all relevant societal sectors.

### Core Members



### Supporting Members

