

February 2023

REVISION OF THE EU ELECTRICITY MARKET DESIGN – CEMBUREAU CONTRIBUTION

CEMBUREAU, the European Cement Association, welcomes the European Commission's initiative to review the EU electricity market design. The European cement industry has laid out its decarbonisation efforts in its 2050 [Carbon Neutrality Roadmap](#) published in May 2020. The review of the electricity market design is critical as the successful realisation of our Roadmap hinges on the access to low carbon sources of energy at a reasonable price. Furthermore, the sector has been confronted with a significant increase of its overall production costs due to the high electricity prices in recent months¹.

CEMBUREAU would like to highlight the following points:

- **The decarbonisation of the cement sector will require significant amounts of low carbon electricity:** Electricity needs of the cement industry will increase significantly during its decarbonisation process. The development and implementation of carbon capture technology, for instance, requires a doubling of the total electricity used by the cement industry between now and 2050.
- **Accessing all possible low-carbon energy sources at a reasonable price** is essential to meet this increased demand. The development of financing tools and methodologies, including Contracts for Difference (CfDs) and Power Purchase Agreements (PPAs) should cover all types of low-carbon technologies.
- **PPAs - adding cost-plus model to the regulatory mix:** Market liquidity and price predictability are important aspects of a well-functioning electricity market. While we agree with the Commission's view that the electricity price should better reflect the energy mix, it is of equal importance to take into account the investment levels and implement the cost-plus model in the regulatory mix which already applies for the development of innovative markets.
- **Contracts for Difference:** CfDs do respond, on the one hand, the need for investment security for electricity generators while, on the other hand, securing a stable pricing element towards the end-consumer. It is essential, however that the modalities for CfDs are set at EU level in order to avoid internal market distortions. Revenues above the strike price should provide a direct benefit on the bill of industrial energy consumers and not pass through the government in case the latter is counterparty to the CfD.

¹ One tonne of cement takes around 110kwh of electricity to produce. With electricity prices between Eur700-1000mwh as observed in several EU Member States at the height of the energy crisis in autumn 2022, electricity costs amount to Eur70-110 per tonne of cement, tripling the total cost of production.

- **Permitting for energy assets**: The permitting process remains the main stumbling block for the development of renewables and other energy assets. We strongly plead for a simplification of this process in close concertation with the Member States and development of fast-track permitting procedures for energy assets that can be installed on-site in industrial plants and areas. The Commission can take guidance from existing legal platforms (for instance in France) where well-defined geographical areas (e.g. industrial sites) are granted a specific regulatory framework for permitting in order to allow for the fast development of energy projects. In the same vein, we encourage the Commission to extend the concept of "regulatory sandboxes" referred to in the "Green Industrial Plan for the Net-Zero Age", published on 1st February 2023, to the investment in energy assets.
- **Maintaining the inframarginal cap** is a useful option to address the short-term market volatility. However, the cap needs to be imposed on individual electricity bills and should not be designed in the way that the government first roams off the excess from the cap to the market price and subsequently redistributes the amounts. For companies at the receiving end of this redistribution, there is state aid approval required before the money can flow back. This is a time-consuming procedure with burdensome conditions attached which does not allow immediate relief to companies and therefore does not result in the desired effect of the measure. A thorough redesign of the system is therefore required.

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