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Position of the Polish Electricity Association (PKEE) on the Clean Industrial Deal and the Action Plan for Affordable Energy

PKEE welcomes the Clean Industrial Deal and the Action Plan for Affordable Energy focusing on competitiveness, energy transition, and creating quality jobs in the European Union. We believe that the European Commission's proposals aim to improve energy sector competitiveness, advance the electrification of industry, support clean technology innovation and ensure fair competition within the EU.

- We will not achieve a competitive economy without modern energy sector, which must have appropriate development conditions to ensure stable supplies of electricity and heat at acceptable prices. The declared goals of the Clean Industrial Deal, such as the electrification of the European economy, should be followed by the financial instruments and EU funds necessary for their implementation. A key issue is also ensuring the security of critical infrastructure, which is a pan-European matter. We should make better use of the energy transition to implement investments, economic growth and create new jobs in EU countries - emphasizes Dariusz Marzec, President of the PKEE Management Board.

To achieve all of this, we recommend the following:

1. Financing energy transition

The costs of the energy transition are not evenly distributed among different sectors. As we see from the Commission's Impact Assessment for the 2040 climate target, from 2031, the power sector's annual investment needs in Europe are almost 9 times higher than those of industry. Therefore, **energy transition** must become **one of the priorities in the next Multiannual Financial Framework (MFF)** of the European Union for the years 2028-2034. It is necessary to ensure that financial support is provided in a technology-neutral way with a systemic view that includes energy generation, storage, transmission and distribution. Investments in electricity grids – as a public good – should be prioritised in the next MFF. Financial support is necessary, especially in distribution at regional and local levels, and also to enable investments on the SMEs and individual households levels in renewable energy and storage facilities.

Revision of state aid and de minimis aid rules is needed. In light of the increasing costs of energy sector investments in the context of the EU's climate goals, it is necessary to allow, even temporarily, during the energy



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transition, the possibility of simplifying state aid rules and significantly increasing the value of de minimis aid to maintain energy security and investments in low and zero emission technologies. **The new state aid framework should draw on the experience of the Temporary Crisis and Transition Framework (TCTF) to provide appropriate and agile support rules for accelerating the deployment of renewable and low-emission hydrogen and district heating, renewable energy sources and energy storage.**

Energy storage contributes to ensuring stable and affordable energy prices for industry and households, as well as increasing the penetration of renewable energy sources into the electricity system. **Non-fossil flexibility support schemes** can play an essential role in this regard. It should be possible to support all types of cogeneration, not only industrial. State aid rules should also positively contribute to the development of storage where public support is needed. In particular, the **new State aid framework should be neutral regarding support for electricity storage, as was the case with the TCTF.** Therefore, the state aid framework should support both storage integrated with RES generation behind the meter and stand-alone storage directly connected to the electricity grid.

Non-discriminatory access to financing for investments in the energy transition, including the district heating sector, is key. This is particularly important for **energy companies with a large share of carbon-intensive assets**, credible transition plans and advanced investment processes requiring financial support. Currently, they are encountering difficulties in the EU in obtaining funds for decarbonisation investment projects while undergoing transformation – in particular due to the Taxonomy requirements. Moreover, businesses' reporting obligations need to be simplified, both for SMEs and large companies.

2. Ensuring fair competition rules between EU Member States

A comprehensive approach to district heating system transformation, including local conditions in the Member States and increased investment financing, **is crucial**. Supporting district heating, as a regional solution, will not cause a "subsidy race" between Member States and will significantly allow for the decarbonization of this sector while limiting the costs transferred in the tariff to end users. This can be achieved, among others, through revising state aid rules. Proposals should include **raising the permissible state aid intensity levels** specified in the EU GBER Regulation from the current 30-45% of eligible costs (for large enterprises) to at least 60% while increasing the notification threshold from the current EUR 50 million to EUR 100 million, simplifying access to aid instruments, and increasing flexibility for Member States to support key renewable energy technologies.

At the same time, measures to **balance disparities** should be introduced **to ensure equal competitive conditions between EU Member States**, preventing large public aid packages from disadvantaging countries



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with fewer resources. **A review of capacity mechanisms, especially regarding the cross-border participation and imbalance settlement periods and simplifications in notification and application procedures are also necessary**, including abandoning settlement requirements during imbalance periods.

3. Supporting the transformation of the energy sector to ensure competitive energy prices

While support for the European industry is essential, its competitiveness cannot be ensured without a resilient and competitive energy sector that provides stable and affordable energy prices. Therefore, the following issues should be noted:

- The critical role of **long-term Power Purchase Agreements (PPAs) should be** recognised and **further promoted** to ensure stable access to renewable energy for the industry and reduce exposure to energy price volatility. We support the introduction of public guarantees to reduce the risk of insolvency of an entity with which a generator concludes a long-term PPA.
- **Stable, predictable, and affordable natural gas and LNG prices** in the transition period are vital for affordable electricity and security of supply. This could be achieved also by procuring more long-term gas supply and storage contracts on the EU level.
- As indicated in Mario Draghi's report, carbon costs accounted for around 10% of the EU industrial retail electricity price in 2023. Competitive and affordable electricity is essential during the transition period. Therefore, **reform of the EU ETS system**, which impacts electricity prices and the competitiveness of many EU countries, **should be part of wider solutions to address the competitiveness of the European industry**. The review of the EU ETS shall be made as soon as possible to resolve the issue of the **insufficient number of allowances in the ETS**. There is no reason to wait until 2026 since there are numerous key questions regarding the EU ETS, like the free allowances for industry or the future of ETS2. In particular, the following issues need to be addressed:
 - **The extension of the Modernisation Fund beyond 2030** and, in light of the decreasing number of allowances in the ETS system, determine the monetary value of this Fund after 2030. Furthermore, its size must be adequate to the scope of challenges. It is worth mentioning that **the Fund can also support the main priorities of the Clean Industrial Deal** (e.g. electrification - investments in grids).
 - **Maintaining the free allocation of emissions allowances for district heating after 2030**, along with the continuation of a mechanism that allows for an increase in this allocation in exchange for investments contributing to achieving long-term climate neutrality.



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- **The mechanism of excessive price must be reformed.** Despite the amendments to the ETS Directive, the activating threshold for art. 29a is still too high for it to be activated (the current threshold will be satisfied above EUR 180). Therefore, the option of including a price-based element, activating the release of allowances from MSR should be examined (specific price threshold).
- Ensuring effective **criteria regarding geographical balance within** the projects supported by the **Innovation Fund**.

4. Fair strengthening of entities in all EU Member States within the framework of building the EU clean technology supply chain

To enhance the competitiveness of the domestic and European clean technology sector, **non-price criteria (NPC) should be more widely used**. NPC should consider factors like the experience of investors/operators, sustainability, support for local communities (including regions covered by the Just Transition Fund), and nature protection. At the same time, it should be ensured that the use of NPCs does not hinder the achievement of the primary objective of renewable energy auctions and public procurement. Increasing NPC's share above 30% in public auctions and tenders may require changes to state aid guidelines. At the same time, efforts should be made to simplify the rules for awarding public contracts whose subject matter is related to climate goals in the electricity sector so that the process of granting them is shorter and more efficient. Additionally, we propose implementing financial mechanisms at both EU and national levels to ensure that products made in the EU remain competitive globally.

5. Increasing the electrification of industry, transport, and district heating

There is **significant potential in electrifying the economy, especially in industry, transport, and district heating (e.g., Power-to-Heat technologies)**. To unlock this potential, **cost and regulatory barriers should be removed**, including enabling market-based methods like guarantees of origin and PPAs to verify renewable energy use.

An in-depth analysis should also be made of whether full electrification is technically possible in every case and the economic viability of such measures. In the context of district heating electrification, it is also important to analyse the growth in power demand and the available capacity to meet such growth.

6. Ensuring the access to new technologies supporting energy transition

The dynamics of energy prices and further development of EU energy market requires **tools that allow elastic and effective production management aimed at cost optimization and minimization of carbon footprint**.



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It refers especially to improvement of solar and wind production forecasting methods, reliable planning of energy production and real-time adjustment of production to outages and effective demand management. It can be achieved with the use of new technologies such as AI and modern data governance. Modern technologies coupled with data policy contribute to digital transformation of European energy companies. For example, one of the PKEE members is developing a new innovative IT system using artificial intelligence, which will enable the collection of all data on the lighting infrastructure in one place, ensuring the automation of lighting operation and its effective modernization.

Existing financial support for digital transformation (Digital Europe Programme, Connecting Europe Facility, Horizon 2020) helps in the development of modern infrastructure and new tools. Merging these initiatives with investments in European hi-tech industry would result in construction of innovative in-house data processing solutions.