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Electricity Market Design – Input from Federation of Norwegian Industries

The Federation of Norwegian Industries, representing 20-odd sectors that include energy-intensive process industries and engineering industries, submits the following short comments on behalf of its members:

We anticipate involvement by Norwegian authorities in the market design process, reflecting certain national characteristics of importance.

- Secure, clean and affordable electricity is of strategic importance to the competitiveness of European industry, employment and the economy as well as one of the defining enabling factors in the transition to climate neutrality.
- The end-user market must to a greater extent be organized in a manner whereby prices reflect real costs in the value chain.
- Europe's independence of import of certain critical raw materials and semi-refined products can be achieved with an ambitious energy policy that promotes affordability and security of supply. Given the right framework conditions, Norwegian industry is well-suited to supply Europe with critical and strategic industrial products.
- There must be no unnecessary barriers to hydro-power expansions, onshore or offshore wind-power
- It is crucial that the proposal concerning virtual Hubs in order to secure better price signals for future trade must not imply changes in the Nordic future market.
- Improved power system flexibility must be continuously pursued. Energy-intensive consumers capable of providing flexibility should be rewarded in the remuneration system of the flexibility market and in the grid tariff. The Commission has proposed to incentivize demand response and facilitate a more efficient transmission system based on incentivized grid tariffs.
- The strengthening of electricity grids is of key importance for rapid electrification and industrial development. However, the grid development should be cost efficient and based on identified projects.
- A well-functioning spotmarket must remain in place. Adjustments should be done in a way that improves market fundamentals, such as removing barriers to more generation and attracts more participants, boosting liquidity. Regulations should include clause(s) allowing for consumer protection in case of unforeseen or extreme market disturbances causing price hikes.
- PPAs have an important role to play. Access to competitive PPAs for industry should be improved and facilitated.. This requires access to guarantors, available balancing and firming instruments, and improved incentives for suppliers to offer competitive and tailored PPAs.

- The EU electricity system must allow for different long-term contract options to compete in the market and remain voluntary. Liquid forward markets together with efficient PPAs, will be important, both as enablers of investments in new renewable capacity and in industrial decarbonization projects, as financial hedging tools and furthermore goes hand in hand as a liquid forward market is needed to deliver a transparent price reference for the PPA market.
- Contracts for difference have been singled out as a key instrument securing supply and capacity. Mature technologies shall in principle not be eligible for support, but this should not exclude other measures deemed necessary in attaining the 2030/2050 climate targets. CfD schemes should also be designed in a way that upholds CfD recipients' incentives to offer competitively priced PPAs.
- Speeding up permitting procedures is vital to achieve the energy and climate goals, while also ensuring local acceptance, so as to avoid public opposition to such projects at a later stage.

Best regards

Ole Børge Yttredal (sign)

Norsk Industri