NEDERLANDSE VERENIGING DUURZAME ENERGIE

Consultation paper

Dear European Commission,

As representatives of the Dutch Sustainable Energy Association (Nederlandse Vereniging Duurzame Energie (NVDE)), we would like to provide our input on the consultation for the Electrification Action Plan.

The NVDE strongly support the European Commission's initiative for an Electrification Action Plan. The electrification of Europe is a critical pathway to achieving climate neutrality, enhancing strategic autonomy and improving competitiveness. However, without robust demand-side policies, the transition risks stagnation. The European Commission's Electrification Action Plan should prioritize the creation of stable, long-term demand for clean industrial products. This approach will not only accelerate electrification but also bolster the deployment of renewable energy sources, ensuring a resilient and competitive European industrial base.

Ensure a coordinated development of demand, supply, and infrastructure so that factories can run on electricity and green hydrogen. Break through the chicken-and-egg problem by establishing agreements that can be used between governments, industries, and energy producers to share risks (so-called **four-way Contracts for Difference**) for both the supply of renewable electricity and the demand for industry.

The NVDE has some key recommendations to make the Electrification Action Plan an important stepping stone to a competitive, independent and climate-neutral Europe:

Establish EU-wide procurement standards for clean products

To stimulate demand, the EU should implement procurement standards mandating the use of clean industrial products, such as steel, plastics, and fertilizers, in both public and private sectors. This can be achieved by requiring a certain percentage of clean inputs in final products or public procurement. Such standards would and should:

- Create a reliable market for clean industrial products, making investments in electrification more viable.
- Encourage innovation and scaling of clean technologies.
- Ensure a level playing field across the EU, preventing carbon leakage.
- Be introduced gradually and tailored to specific sectors to manage transition impacts.

Implement Contracts for Difference (CfDs) and Power Purchase Agreements (PPAs)

To reduce risks associated with electrification and renewable energy production, the EU should support the use of CfDs and PPAs. These instruments can:

- Provide price stability for both producers and consumers of renewable electricity.
- Encourage long-term investments in renewable energy infrastructure.

- Facilitate the integration of renewable energy into industrial processes.

For the development of a mature market that can ultimately operate without subsidies, it is important to allow sufficient scope for long-term contracts such as PPAs. With a PPA, the producer is assured of a fixed price and long-term offtake of electricity. At the same time, entering into such long-term contracts is challenging for industrial large-scale consumers of green electricity, which introduces an additional risk for offtakers, since their own customer contracts typically have a (much) shorter duration. An European-, or governmental-backed PPA guarantee fund can ensure that industrial players are able to participate in these types of agreements.

Support infrastructure development and dampen the costs of the electricity grid

The EU should invest in the expansion and modernisation of electricity grids to accommodate increased demand from electrified industries. This includes:

- Public financing for energy infrastructure, similar to investments in transportation networks.
- Ensuring that infrastructure development aligns with the pace of industrial electrification.
- Implementing policies that encourage private sector participation in infrastructure projects.

An promising avenue to further support energy infrastructure development is to introduce a green interest rate. Investments in energy infrastructure are highly sensitive to interest rates. To keep grid costs manageable and stimulate green investments, the European Central Bank (ECB) could introduce an interest rate discount for sustainable energy projects. According to research by Berenschot, this would save the Netherlands fifteen billion euros in grid costs alone by 2040. This amount would be significantly multiplied on an European scale.

There are various ways to reduce the costs of the electricity grid and ensure that these costs are distributed fairly. The European Commission should strive to keep grid costs under control, while also ensuring that new homes and businesses can connect to the grid without unnecessary delays or expenses. To achieve this, the NVDE recommends that the following measures be taken into consideration:

- Price incentives through network tariffs can encourage households and businesses to use electricity more flexibly and to reduce peak demand on the grid. At the same time, the transition towards more sustainable homes and businesses must remain feasible, even under a restructured tariff system.
- Greater attention and support should be given to organisation seeking to make their operations more flexible and to adopt more flexible contractual arrangements.
- Energy that is not consumed does not need to be transported. Therefore, energy efficiency directly contributes to alleviating pressure on the grid.
- Investments in the electricity grid should be approached as a European matter, supporting interconnections between Member States. In the Netherlands, for instance, enhanced cooperation and coordination regarding cross-border offshore grids in the North Sea would enable optimal use of abundant offshore wind resources. It is also important that the costs of transporting electricity between countries reflect the associated benefits.

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Reduce taxes on (renewable) electricity

To make electrification more attractive, the EU should advocate for the reduction of taxes on (renewable) electricity, particularly for households and energy-intensive industries. This would:

- Help households in electrifying their homes and simultaneously lowering their energy bills.
- Lower operational costs for electrified industrial processes.
- Enhance the competitiveness of European industries on the global stage.
- Accelerate the adoption of renewable energy sources.

There are two logical options to make the energy tax fairer and more effective:

1. Reform based on **energy content** (per GJ)
   - Ensures equal treatment of energy carriers per unit of energy.
   - Simpler and more transparent system that stimulates energy efficiency and savings.
   - Leads to less decline in tax revenues as the energy system becomes more sustainable.
   - Does not take externalities into account.
2. Reform based on **CO_2 emissions**
   - Aligns more closely with climate policy.
   - Automatically makes electricity cheaper as the power supply becomes cleaner.
   - Provides a direct price incentive to switch to cleaner alternatives.

By shifting to a tax base based on CO_2 emissions or energy content, policy can be better aligned with climate goals, fossil energy sources can be priced more fairly, and energy costs can be reduced. Furthermore, reducing the degressivity of taxes helps citizens and businesses that want to electrify step by step.

Align electrification with broader industrial decarbonisation policies

Electrification should be integrated into a comprehensive industrial decarbonisation strategy that includes:

- Clear emission reduction targets.
- Support for research and development in clean technologies.
- Policies that promote circular economy practices.
- Measures to ensure a just transition for workers affected by industrial changes.

Conclusion

The Electrification Action Plan presents a pivotal opportunity to drive Europe's transformation towards sustainability and increased competitiveness. By focusing on demand creation, infrastructure development, and supportive policies, the EU can ensure that electrification serves as a catalyst for renewable energy adoption and industrial decarbonisation.

We thank the Commission for the opportunity to contribute and remain available for further dialogue.
Yours sincerely,
NVDE