



EPSU Position on the reform of the EU electricity market¹

EPSU is the European Trade Union Federation representing 8 million workers in public services. Our affiliated unions organise workers in the electricity sector across Europe. Our members as workers and users of electricity understand the importance of safe, reliable, affordable and clean electricity to society.

The ongoing war in Ukraine has led to sharply increased energy prices in Europe. The invasion came at a time when Europe had already been facing rising prices of energy, above all gas. It showed the deep dependency on imported fossil fuels and exposed a lack of energy sovereignty. The unsustainable energy prices are driving inflation and are hitting workers and our families hard. They are causing major problems for industry, small and medium sized companies and for public services like hospitals, municipalities and care homes.

Before this background, the opinion took hold that the electricity market was not working as intended. However, the problem was rather that it did exactly what it is designed to do. We welcome that Commission President von der Leyen recognises that the liberalised electricity market is no longer fit for purpose. We doubt that it ever was.

EPSU has consistently argued over the past two decades that the liberalised electricity market as required by the EU Electricity Directive would not deliver on its promises of affordable electricity and job creation. It is built on the misconception that free markets are always superior to planned systems.

It is clear that we do not need further liberalisation of electricity markets in Europe. Instead, we should embrace fundamental reforms to enable us to actively steer all parts of our electricity system towards net-carbon neutrality in a way that is climatically and economically sustainable as well as socially just.

The European electricity market was the result of political decisions, not the outcome of an organic process. Other decisions are possible and will be better suited to achieve clean, affordable electricity. **In this position we want to lay out the key demands from Public Service Unions in Europe.**²

For several more detailed matters regarding e.g. Power Purchasing agreements, Contracts for Difference or the decoupling of electricity and gas prices (Iberian model, Greek model), please **see at the end of this document the response of EPSU to the public consultation of the European Commission on the reform of the EU's electricity market design.**

¹ Adopted by the EPSU Standing Committee on Utilities on March 1st 2023.

² This position draws directly from EPSU's longstanding work on energy markets, and recent reports by Prof. Stephen Thomas and Vera Wegmann of Greenwich University. We invite readers to consult EPSU's reports and briefings listed at the bottom of this document for more detail.

1. Electricity is the key sector for the decarbonisation of our economy

At the moment, the electricity share in the EU's energy mix is around 33%. To achieve our net-zero targets and to achieve energy independence from largely imported oil and gas, this share must reach well over 50% by 2050. Key sectors will be transport, heating, and some industrial processes. In other production processes, where direct electrification is not possible, green hydrogen will be used. This gas however also requires a high amount of fossil-free electricity to produce.

This means that despite urgently needed efficiency measures (see point 3), the demand for electricity will increase. We need to decarbonise the generation of electricity and move to a fossil-free power system. This is necessary to avoid the worst effects of climate change. This will require significant long-term investment in skilled workers and infrastructure (see point 4, 5).

2. The liberalised market model is not suitable for electricity

The inevitable fluctuations of prices that come with the commodities model, well-illustrated by the impact of the 2021/22 high gas prices, shows that the **free market logic is not appropriate for an essential public service like electricity which is necessary and vital in our lives.**

The lack of substitutes and the vital role of electricity in modern society mean that at times of shortages, prices increase dramatically, causing consumers to face extremely difficult decisions – 'heat or eat'. At the same time, many energy companies post record profits, showcasing a system that is socially and economically untenable.

In addition, the overwhelming need for supply and demand to balance precisely at every instant and the difficulty of storing electricity mean this balance cannot be left to the vagaries of the market. As a consequence, the system had to be consistently patched to make up for the shortcomings and failures of the market.

It is often claimed that the EU's success in deploying renewables is a product of liberalisation policies. It is argued that liberalisation created the regulatory landscape within which new actors, wind and solar companies, could thrive. The opposite is the case. **Renewable deployment was only possible because the EU allowed renewables to benefit from state aid and to be deployed with commercial arrangements outside the market.**³

Indeed, experience has shown that new fossil-free capacity will only be built if it is fully protected from the market. In a renewables-dominated system, the same will apply for peaking plants, which will need to be kept available to ensure stability of the system while only generating electricity on occasion. This suggests that rather than continuing to patch the current market model, a **public single buyer entity would be in a better position to drive decarbonisation while ensuring affordability of electricity and reliability of the system.**⁴

³ See Wegmann, 2019.

⁴ See Thomas, 2022.

3. We need a right to clean energy

The European Pillar of Social Rights recognises under article 20 that everyone has a right to energy.

“Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications.”

However, in 2019, over **50 million individuals in the EU were not able to afford to adequately heat, cool or light their homes**. One can only assume that this number would be much higher today, but exact data is difficult to obtain.

Before this background, the **Right to Energy should be enshrined in the Electricity Directive**. The recognition of a Right to Water in the Drinking Water Directive, following the European Citizen Initiative by EPSU, can be an example.

Energy efficiency measures should be front and centre in our efforts to decarbonise our economies and support households. In the classic energy trilemma of reliability, affordability and sustainability, energy efficiency contributes to all positively. We will not be able to reduce energy poverty without ambitious plans for energy efficiency.

In the current liberalised market design, an imbalance between supply and demand measures is inherent. This is because for the supply side, large generation companies can take a long-term view of investment and can afford to amortise their investments over the life-time of the plants, usually 30 or more years. By contrast, consumers, especially small consumers, often do not have the cash to pay for very attractive energy efficiency measures, even if the amortisation period would be much shorter.

To remedy this problem, a **philosophy of ‘least cost planning’** should be employed. This would remedy the supply/demand imbalance by allowing to treat both demand and supply measures on equal terms.

This planning should be carried out by **publicly owned energy providers**. These companies would have the mandate, and the capacity, to roll out energy efficiency improvements to homes, significantly reducing bills. Private companies that have to satisfy expectations on return on investments would not have this incentive. In addition, these public companies would also have the power to set energy prices aimed at affordability for customers, rather than maximising profits for shareholders.

In contrast, the Electricity Directive’s **strong focus on demand side flexibility and smart meters is insufficient**. While smart meters could help consumers to get a better understanding of their consumption, a focus on smart-metering alone and the further financialization of electricity supply leads to a two-class energy society. Financially and technically well-endowed consumers benefit, others remain at the mercy of high prices. Therefore, these issues are not key, at least for the private consumer sector.

What must be prevented at all costs is the spread of prepayment meters. These are certain to worsen conditions for energy poor households and must be rejected. The situation in the UK, where such meters are more widespread, shows the grim consequences.⁵ **A ban of Pre-Payment meters in the Electricity Directive would be appropriate.**

Besides pro-public companies, also other solutions to improve public and democratically accountable planning should be considered. **Price regulation has proven to be an effective**

⁵ See for instance: [Energy regulator reveals end to forced installation of prepayment meters is temporary | Business News | Sky News](#)

tool. Member states should retain the ability to regulate prices for households in order to prevent a further increase in energy poverty. **Article 5 (10) of the Electricity Directive that refers to a possible Commission proposal in 2025 to end regulated prices should be removed.**

Another central problem is that many end-customer contracts are indexed to the spot price development. This means that even if suppliers could purchase electricity at a lower price via e.g. Power Purchasing Agreements, the end customers do not benefit from this, as their price is still dependent on the development of the exchange price. **A transparent reference price set by the regulatory authority** that reflects the development of the weighted average generation costs of all technologies should be seriously considered.

A ban on disconnections is needed. Instead, everyone should be provided a sufficient amount of electricity. In France, EDF has announced a stop on disconnections in late 2021.⁶ There is no reason this should not be possible within the EU as a whole.

4. We need more ambitious investments in infrastructure

As the share of intermittent renewable energy sources will increase, investments in the electricity grid will be urgently needed. The Union of the Electricity Industry *eurelectric* estimates the **required investment in distribution grids around 400 billion € by 2030.** It is further estimated that this will **“sustain 440-620,000 quality and local jobs per year in the EU27 and UK.”**⁷

Further, Eurelectric’s position from 2022 correctly states that “The current model of grid investment, based on a short-term outlook and focused on cost savings, is running out of road” as well as that “we need to acknowledge that **more anticipatory investments with a long-term planning horizon are ultimately cost efficient.**”⁸

Private network operators will have to satisfy expectations of return on investment and will not be in a position to undertake the needed long-term investments in infrastructure as well as the necessary training of workers (see point 5). In addition, power grids are a natural monopoly that does not allow for competition. The logical conclusion is that **power grids should best be placed in public ownership.**

In addition, in view of the required investment, **a fair distribution of costs is necessary.**⁹ This cost must reflect the polluter pays principle. This means producers and traders must contribute to system costs too. This applies to grid costs, grid loss costs, the provision of reserve capacities and the bearing of costs for grid stabilisation. In particular, **international electricity traders** benefit from infrastructure, but currently do not have to contribute to the system costs at all. **This should be rectified in the Electricity Regulation.**

⁶ <https://www.edf.fr/en/the-edf-group/dedicated-sections/journalists/all-press-releases/edf-will-no-longer-request-that-electricity-be-cut-off-to-its-residential-customers>

⁷ <https://www.eurelectric.org/publications/manifesto-ahead-of-the-curve-investments-in-distribution-grids-are-needed-now/>

⁸ Idem.

⁹ See [Public investment in energy infrastructure as part of the solution to climate issues | European Economic and Social Committee \(europa.eu\)](#)

5. We need long-term workforce strategies

The shifts towards fossil-free energy described throughout this document require significant investment in skilled workers. There can be no transition towards clean energy without workers, and further legislative proposals must reflect this.

In the past, energy liberalisation not only led to massive job losses, it also shifted the nature of work, with a general decline in technical and maintenance jobs often facilitated and exacerbated by outsourcing. Meanwhile, the number of legal, marketing and sales staff increased, with energy companies prioritising winning customers in a liberalised market.¹⁰ **We are now facing a coming lack of technical experts in driving forward the energy transition.**

In the framework of a **just transition**, newly emerging jobs in clean energy must be covered by collective agreements in line with the recently agreed adequate minimum wage directive. Workers currently employed in oil and gas sectors should be prioritised in access to these new jobs. They should have a right to training to be prepared for the changes in the sector. To this end, **the Commission should start a process of expanding article 4 of the Electricity Regulation on just transition with the Social Partners in the electricity sector.** This process should lead to a strong basis for long-term workforce strategies including a right to training for workers.

Workforce strategies should also **prioritise increasing the share of women** into the traditionally male dominated energy sector. To this end, in particular operational jobs in the energy sector should be made more attractive through tackling stereotypes as well as negotiating more flexible working time arrangements with unions.

See here for more detail on EPSU's reports and positions:

Prof. Stephen Thomas, "A new design for European wholesale electricity markets", 2022.
https://www.epsu.org/sites/default/files/event/files/EPSU_New%20market%20design_v2_clean.pdf

Dr. Vera Weghmann, "Going Public: The failure of energy liberalisation", 2019.
https://www.epsu.org/sites/default/files/article/files/Going%20Public_EPSU-PSIRU%20Report%202019%20-%20EN.pdf

EPSU response to the 2023 consultation by the European Commission on the electricity market reform. <https://epsu.us10.list-manage.com/track/click?u=14c6e328904f64ba14a9342e3&id=1f5d63ad0f&e=8f7ec06c7c>

¹⁰ See Weghmann, 2019