

To the attention of: Member States MEPs and Perm Reps

Electricity industry priorities on inframarginal revenue caps

Brussels, 5 April 2023

By 30 April 2023 the European Commission and the Members States are mandated to carry out a review of the Council Regulation (EU) 2022/1854 of 6 October 2022. This Regulation enacted a series of emergency measures to address high energy prices, including the implementation of caps on inframarginal revenues in the electricity market.

As representatives of the electricity industry, **we call on Member States to end inframarginal revenue caps by 30 June as set out in the 6 October Regulation. We also call on the EU co-legislators to ensure revenue caps remain outside of the scope of the current reform of the Electricity Market Design.**

1. As forewarned by the community of electricity industry experts we represent, the implementation of inframarginal revenue caps has been extremely heterogeneous across Europe > ***this led to dramatically increased costs and in some cases market exit for market participants in certain countries, hence limiting options for consumers.***
2. The national implementation of the caps, including its level and the technologies affected, created a patchwork of rules. The most drastic caps have had a dramatic effect on the liquidity of some national forward markets > ***this makes hedging on behalf of consumers more challenging and expensive, including efficient dispatching of renewables.***
3. In the wider context of the energy supply crisis, the climate of uncertainty created by the measures already negatively affected investments that are indispensable to the energy transition and the growth of market-driven renewable Power Purchase Agreement contracts^{1,2} > ***this threatens long-term security of supply, and the delivery of national and European decarbonisation targets.***

In light of this, several Member States already start expressing their desire to do away with inframarginal revenue caps. We firmly believe that reinstating investors' confidence will require:

- phasing out these emergency measures by 30 June 2023, as defined in the EU Council Regulation (EU) 2022/1854 – unless overwhelming evidence is found that their benefits far outweigh their negative impacts on the investment climate and correct functioning of the electricity market.
- analysing the administrative burden – borne by public authorities and market participants as a result of implementation challenges, notably due to the complexity in reconstructing the effective market revenue of the energy produced.
- drawing lessons from the impact the inframarginal revenue caps had on market liquidity and investment numbers in their jurisdictions.

¹ While the renewable Power Purchase Agreement market was gaining traction in Europe, the 2022 market showed a 21% contraction, 8.4 GW total capacity signed against 10.6 in 2021, according to Pexapark.

² [Europe only invested €17bn in new wind in 2022, the lowest since 2009](#)

Reaching carbon neutrality by 2050 in a cost-effective way is a huge challenge, but it is achievable. Getting there requires the restoration of a stable market and regulatory framework, to give investors' confidence in the future of the European electricity market.

Yours sincerely,

List of signatories:

EFET – European Federation of Energy Traders

Europex - Association of European Energy Exchanges

Eurelectric - federation of the European electricity industry

SolarPower Europe – The association for the European solar sector

WindEurope – European association of the wind industry