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EFET calls for more attention to the benefits of market-based mechanisms in the context of the ambitious new renewable energy goals for the EU

The European Federation of Energy Traders (EFET¹) calls for the wider use of market-based mechanisms in the context of the ambitious new renewable energy targets confirmed in the political agreement on the revised Renewable Energy Directive (RED II) from mid-June. Market-based mechanisms have proved time and again their ability to deliver higher cost-efficiency and can help energy consumers to meet our renewable energy and decarbonisation objectives at a lower cost burden than other instruments.

RED II strengthens existing national renewable energy promotion schemes but shows little commitment to accelerating market integration and harmonising support mechanisms. This will increase the fragmentation of regional power markets to the detriment of the EU objective of full energy market integration.

The increase in the share of renewable electricity and hence, of supported electricity production, mandated by RED II, will have a strong impact on electricity markets. With the current design of some legacy national financial support schemes, there is little or no incentive for renewable energy producers to operate in an economically efficient manner – with the cost burden of this inefficiency falling on European power consumers. It is crucial that national authorities reduce and eventually eliminate any priority dispatch and priority grid access rights involved in such schemes. The market can identify the least-cost solution to meet power demand, but for that to happen, renewable electricity production will have to be fully integrated into the electricity market.

Lastly, market observers expect that there will be a need for a mechanism to close the gap between the sum of the national renewable targets and the EU-wide targets. This gap needs to be filled by an EU-wide scheme involving an EU-wide quota or auction mechanism, using instruments which are tradable across borders.

For more information, please contact:

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¹ **The European Federation of Energy Traders (EFET)** promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.