



ERRA Webinar - Impact of COVID on the energy sector – 10th February 2021

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Observed implications of COVID-19 on the power sector

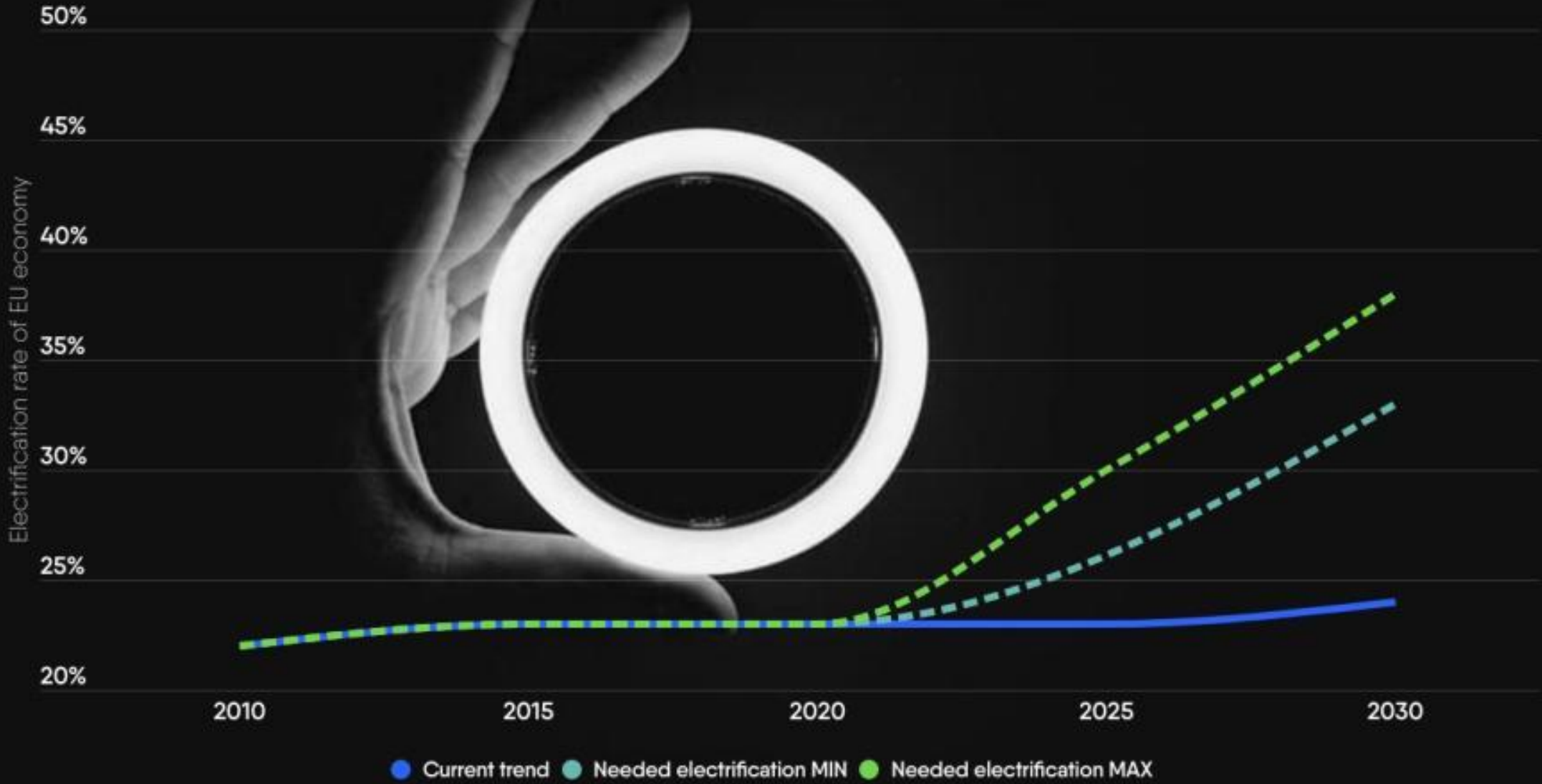
- 1. Electricity is crucial to fight the COVID-19.** Hospitals, authorities & millions of remote working Europeans critically rely on electricity to function.
- 2. The resilience of European utilities has been put to test.** Utilities reacted fast to protect operations and staff, thus guaranteeing security of supply. Utilities and governments acted together to help facilitate the payment of bills by customers with stretched liquidity (payment arrangements and no disconnection policy)
- 3. The power industry holds an unique potential to reignite the economy.** The financial health of utilities determines their investment ability. Drop in electricity demand , low prices, government interventions and customers struggling to pay have impacted power prices and company revenues.
- 4. Clean energy investments for recovery must be prioritised.** Economic stimulus measures should support electrification and prioritise investments in areas such as renewable energy, EV charging infrastructure, distribution grid reinforcements and the electrification of heating systems.

Impacts on the energy transition

- Power demand might take time to recover to pre-crisis level at time were we need to accelerate electrification
- Shift in power generation
- Risk of underinvestment situation due to the economic downturn
- Ability for some countries to absorb economic shocks while putting enough financial resources to boost the transition
- Massive investment needed to meet decarbonisation and the Green Deal objectives
 - Generation and storage : 100bn /year by 2045
 - Infrastructure : 34 bn/ year for power distribution grids by 2030



Faster, deeper **electrification** needed for a **net zero** economy



Policy recommendations



Remove barriers for further
renewables deployment

1

Boost the deployment of charging points
for electric vehicles

2

Accelerate electrification of buildings through
deployment of individual and industrial heat pumps

3

Create a level playing field with non-EU
countries to minimise carbon distortion

4

Facilitate grid infrastructure deployment to fully
enable a flexible and sustainable energy system

5

Role of public spending– recovery programmes

Recovery programmes should speed up decarbonisation and electrification

- **Supply side:** renewables, network infrastructure, storage & flexibility.
- **Demand side:** direct and indirect electrification (transport; building; industry) , energy efficiency.

“Recipes” for success :

- Prioritize investments delivering the most climate and economic benefits (infrastructure, e-mobility, buildings)
- Funds should be granted to investments which would not materialize otherwise
- Market integrity should be preserved , allocation based on **market principles** to avoid distortions
- De-risk investments
- Consistency with EU governance framework – (NECPs , Just Transition Plans, Clean Energy Package)

How to match urgency vs long lasting investments ?



Market design – Recommendations to increase private investment

Fix market and policy signals towards large-scale reallocation of private capital to carbon-neutral generation investments and transition enabling technologies : Sustainable Finance, Taxonomy

Ambitious and predictable carbon pricing & taxation regime : ambitious ETS and stop penalising electricity through the Revision of Energy Taxation Directive (lift taxes and levies on the consumer bills)

Provide risk-hedging instruments with long-term price signals

Speed up the implementation of the Clean Energy Package and continue working towards an European market

Improve network tariff regulation : cost reflective and incentivizing RES integration, innovation



The background is a dark blue field filled with a complex, glowing pattern of particles and lines. The particles are arranged in a way that creates a sense of depth and movement, with some areas appearing more densely packed than others. The overall effect is reminiscent of a digital or scientific visualization, such as a particle simulation or a data visualization of a complex system. The colors range from deep navy blue to a bright cyan, with some areas appearing to glow from within.

**Thank you for your
attention !**

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