

Future-proofing Electricity Bills in the EU – Priorities for the Chemical Industry

Proposal on Network Charges and Taxes amending Regulation (EU) 2019/943

Competitive and predictable electricity costs are a prerequisite for industrial electrification and for maintaining energy-intensive production in Europe. Network charges and taxes represent a growing - and increasingly difficult to predict - share of these costs.

This is particularly important for the EU chemical industry, the largest industrial consumer of electricity in Europe (consuming 149 TWh in 2024). Since electrification is an important route in the transition to climate neutrality, our sector's reliance on competitive grid access will only increase.

Today, however, the business case for electrification remains weak. Key barriers include high total electricity costs, bottlenecked network access, and insufficient demand low-carbon and/or circular products.

The Commission proposal on network charges and taxes needs to strike a delicate balance: Adequate and affordable grid infrastructure is a precondition to industrial competitiveness and decarbonisation through direct/ indirect electrification. Yet the costs of its build-out will add to the energy cost burden of industrial users and thus make electrification less appealing for industry.

To navigate this trade-off, Cefic recommends for the framework to:

- 1. Safeguard industrial competitiveness and boost electrification**
- 2. Retain national competencies in tariff design**
- 3. Promote system-friendly behaviour while recognising industrial limits to flexibility**
- 4. Ensure that grid investments are cost-efficient and transparent**
- 5. Lower electricity taxes without shifting the fiscal burden to natural gas**

1. Safeguard industrial competitiveness and boosts electrification

Rising grid costs are a growing component of the industrial electricity bill and emerge as a structural burden for the EU's energy-intensive industries, directly undermining their global competitiveness.

The recent increase and the uncertainty around the future development of network costs - and industry's inability to hedge against a regulated cost-burden like network tariffs – is also a barrier to industrial electrification.

To create the enabling conditions for long-term competitiveness and the necessary cost-visibility to undertake large-scale electrification investments, we recommend capping network tariffs for energy-intensive industries exposed to carbon leakage, as well as for operators of industrial parks.

- **Recommendation:** Adjust [Commission Regulation 838/2010 annex part B](#) to introduce a cap on network charges for energy-intensive industries exposed to carbon leakage, as well as for operators of industrial parks.

At a minimum, the Commission's proposal on network charges ought not to emerge as a barrier to Member States using state aid to support the network costs of energy-intensive industries exposed to carbon leakage. Both state aid provisions, as well as provisions related to 'special tariff regimes', should explicitly include operators of industrial parks that enable shared infrastructure, utilities, and services for industrial sites.

- **Recommendation:** Expand the scope of 'special tariff regimes' to incorporate also industrial parks (Art. 18, §3).
 - Several Member States already apply 'special tariff regimes'. The introduction of Art. 18, §3 should not undermine the application of these regimes in a way that would deteriorate regulatory and cost visibility, which would worsen the competitive position of industrial consumers.
- **Recommendation:** Ensure that provisions related to 'adjust [...] consumption to lower the overall costs of the [network]' do not create structural barriers for energy-intensive baseload industries to access state aid related to network charges (Art. 18, §4). See also the following chapter on flexibility.

2. Retain national competencies in tariff design

Network tariffs are undergoing reform in several Member States. New rules at EU-level, introduced after these reforms have just been concluded, would severely affect cost and planning security and would therefore hinder electrification.

In addition, framework conditions among Member States differ; as a result, overly narrow harmonisation could lead to additional distortions of competition in the internal market.

For these reasons, we generally support the harmonising criteria of Art. 18 §2, subject to the changes outlined in this paper, including the addition of balancing costs in the framework. But we recommend against expanding EU-level competencies in a way that undercuts national regulatory visibility ((EU) 2019/943 Art. 61, 5a and 5b).

- **Recommendation:** To provide regulatory certainty to investors, delete Art. 18d, 3a.

3. Promote system-friendly behaviour while recognising industrial limits to flexibility

For the time being, national network tariff regimes focus heavily on incentivising system-friendly behaviour of consumers. The Commission's proposal includes positive elements to harmonise these criteria to also steer the system-friendly behaviour of generation and storage assets. We suggest to strengthen these criteria to facilitate the cost-efficient build-out of the EU's electricity network and reduce system costs.

- **Recommendation:** Strengthen provisions for the system-friendly behaviour of generation and storage assets, in addition to consumers (Art. 18, §2).

Not all system users have the capacity to adjust their behaviour following network charge-related cost incentives. Where users don't have the capacity for behaviour change, a 'cost incentive' becomes a *de facto* 'tax.' These considerations matter particularly for baseload users with limited or no capacity for flexibility in an increasingly intermittent system. These same baseload users also generate fewer overall costs for the electricity system by providing stability and making more efficient use of network infrastructure. Industrial baseload users are also often exposed to international competition, with vastly differing cost burdens across jurisdictions.

For these reasons, special tariffs for energy-intensive industries should not be conditional on their ability to respond flexibly to price signals, but should also reflect the predictability of their electricity consumption, the industry's importance to economic security, its contribution to decarbonisation, and the costs it helps the energy system avoid.

- **Recommendation:** Flexibility provisions should consider the predictability of energy-intensive industries electricity consumption, the industry's importance to economic security, its contribution to decarbonisation and safety related limits of baseload users for demand-response¹ (Art. 18, §2 + §4).

4. Ensure that grid investments are cost-efficient and transparent

The expansion of transparency requirements and a stronger oversight role for ACER in the Commission's proposal are largely positive, as is the proposed performance ranking between transmission system operators on the basis of common KPIs - accounting for national differences.

To further improve cost visibility for consumers, network operators should be required to provide forecasting on their network charges. That forecasting should be sufficiently long-term to provide cost-visibility to investors (5-10 years).

- **Recommendation:** Include network charge forecasting in the transparency obligations of Art. 18 §5. ACER shall assess these forecasts as part of the performance indicators (Art. 18, §7) and make remedial recommendations where necessary.

Total network costs are distributed unevenly between Member States, while the benefits of an integrated European electricity system are widely shared. A stronger role for EU-level financing,

¹ See in more detail: [Cefic-Views-on-Industrial-Flexibility](#) (2024)

particularly for interconnectors, could alleviate some of the distortions to the single market resulting from uneven network costs burdens.

- **Recommendation:** Strengthen the Connecting Europe Facility (CEF) to promote the build-out of electricity interconnectors through EU-level financing.

Balancing costs – including costs for frequency containment reserve (FCR), automatic/manual frequency restoration reserve (aFRR/ mFRR), balancing capacity, and ancillary services – are increasing as the electricity system decarbonises, constituting a growing share of the total electricity bill for consumers. These same consumers are often not the responsible parties for the rising balancing needs. Some, but not all, of these costs may be recovered through network charges. At present, the cost-recovery for balancing services is only loosely harmonised at EU-level.

- **Recommendation:** Strengthen the EU legal framework (Regulation 2019/943) on balancing costs, with view to set general criteria for cost-recovery. To that end, expand Art. 18 to cover balancing-related system costs.
 - Consider applying dedicated cost-recovery regimes to energy-intensive industries exposed to international competition and industrial parks.

5. Lower electricity taxes without shifting the fiscal burden to natural gas

Lowering the tax burden on electricity can boost the competitiveness of EU industry and help build a business case for electrification. However, preferential tax treatment for electricity should not undermine the competitive position of natural gas in the energy market. The majority of energy consumers rely on multiple energy vectors, in many cases both electricity and gas. Hybrid systems relying on electricity and gas to provide heat, are also front-runners amongst industrial electrification projects and can offer flexibility to the energy system.

For both industry and households, switching entirely from one vector to the other may not be possible, particularly in the short-term due to lacking infrastructure, peak generation capacity, feedstock needs, or techno-economic limitations.

Because of these barriers, shifting the tax burden from electricity to gas would severely undermine the competitiveness of European industry at a time of exceedingly high gas prices resulting from global supply shocks.

- **Recommendation:** Use existing flexibilities on the Energy Taxation Directive to reduce electricity taxes without raising the fiscal burden on natural gas (Art. 18c, §2).

For more information please contact:
Nicolai Romanowski, Senior Energy Manager
Cefic
Tel. +32496266052, nro@cefic.be

About Cefic
Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies across Europe, which provide 1.2 million jobs and account for 15% of world chemicals production.