

The logo for EFET (European Federation of Energy Traders) is displayed in a bold, red, sans-serif font.

European Federation
of Energy Traders
SO YOU CAN RELY ON THE MARKET

Challenges of the Energy Transition: Ensuring secure and affordable energy supply without endangering decarbonisation goals

VIth Annual AFEER Conference in Bucharest, Romania

17 March 2022

WHAT WE DO

Since our establishment in 1999, EFET has been playing a prominent role in facilitating the development of **open, competitive, liquid and transparent electricity and gas markets**, actively contributing to the development of the EU energy market design.

Improving the **functionality and design** of European gas, electricity and associated markets for the benefit of the overall economy, society and especially end consumers.

Developing and maintaining **standard wholesale supply contracts** and standardising related transaction and business processes (e.g. the EFET Master Agreement and the EFET standard CPPA).

Facilitating debate amongst TSOs, regulators, policy makers, traders and others in the value chain about the **future of the European energy market**.

We promote competition, transparency and open access in the European energy sector.

We build **trust in power and gas markets across Europe**, so that they may underpin a sustainable and secure energy supply and **enable the transition to a carbon neutral economy.**

OUR MISSION

OUR MEMBERS

>120 energy trading companies

Active in >30 European countries



OUR MEMBERS

Regular members



Associate members



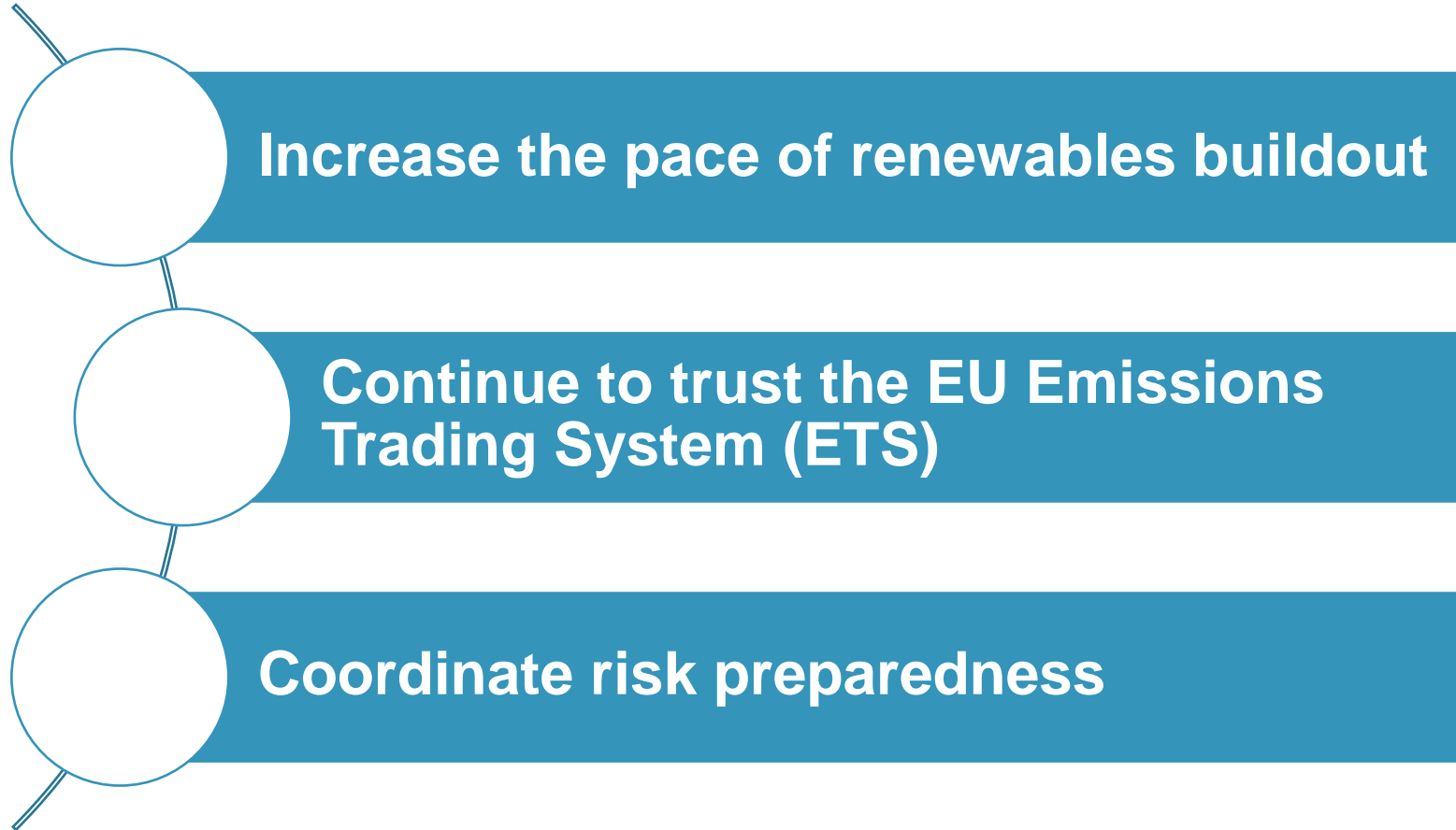


Key Messages

**...in view of REPowerEU and Measures to
Counteract High Energy Prices**

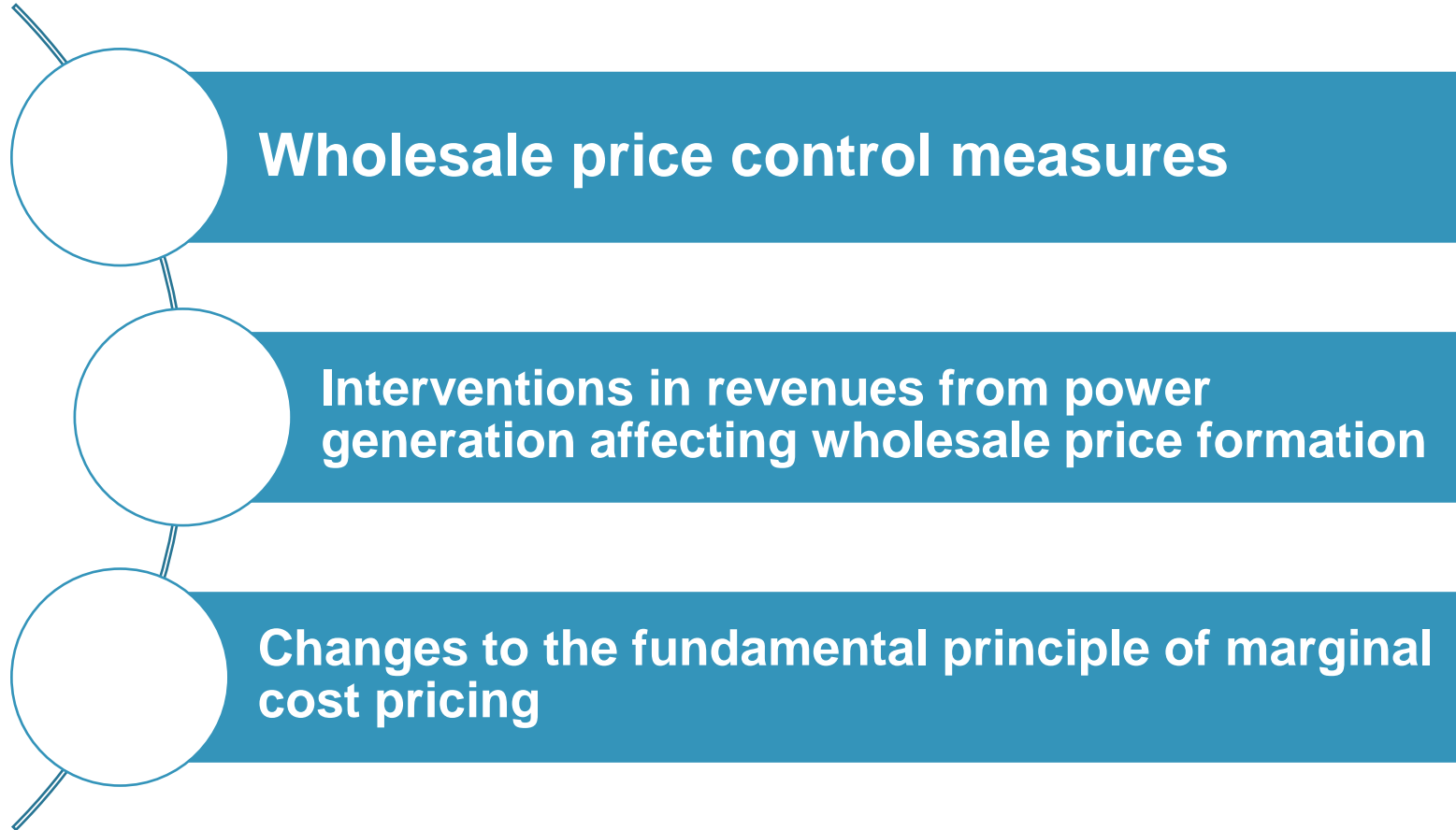
REPowerEU and EFET Key Messages

EFET welcomes initiatives to:



REPowerEU and EFET Key Messages

EFET advises extreme caution with regard to:



Necessity for Coordinated EU Policy Response across...

The Very Short Term

- Coordinated, pan-European response to **managing gas security of supply**
- Provide help to vulnerable consumers to **ensure energy affordability**
- **Time-limited policies** to support energy sector in situation of high prices and high volatility

The Short-to-Medium Term

- Ensure security and diversity of energy supply
- Coordination of risk preparedness at pan-European level, via:
 - **Market-based methods** to ensure gas storage
 - **Prioritising energy efficiency** and **ensuring demand response**
 - **Encouraging investment** in alternative sources of **gas supply, renewable energy, flexible sources of energy**

The Medium-to-Long Term

- **Stay on track to meet net-zero goals** by decarbonising energy sector and all other sectors
 - **requires large volumes of investment**
 - **requires strong and liquid energy and carbon markets!**

Critical to note that...

Wholesale electricity price control measures:

- distort price signals, both:
 - long-term (necessary to hedge risks, especially in volatile periods)
 - short-term (necessary to dispatch most efficient resources)
- negatively affect viability of investments and ability of EU to attract needed investment for energy transition
- disincentivise consumers from engaging in energy efficiency and demand response

Inframarginal power generation revenue clawbacks affecting wholesale price formation:

- disincentivise renewable and low-carbon energy production
- undermine the PPA market
- damage investor confidence
- reduce speed of supply diversification

EXAMPLES:

- Wholesale electricity price caps
- Wholesale electricity transaction margin caps
- Mandatory sales at fixed prices

...and should be avoided.

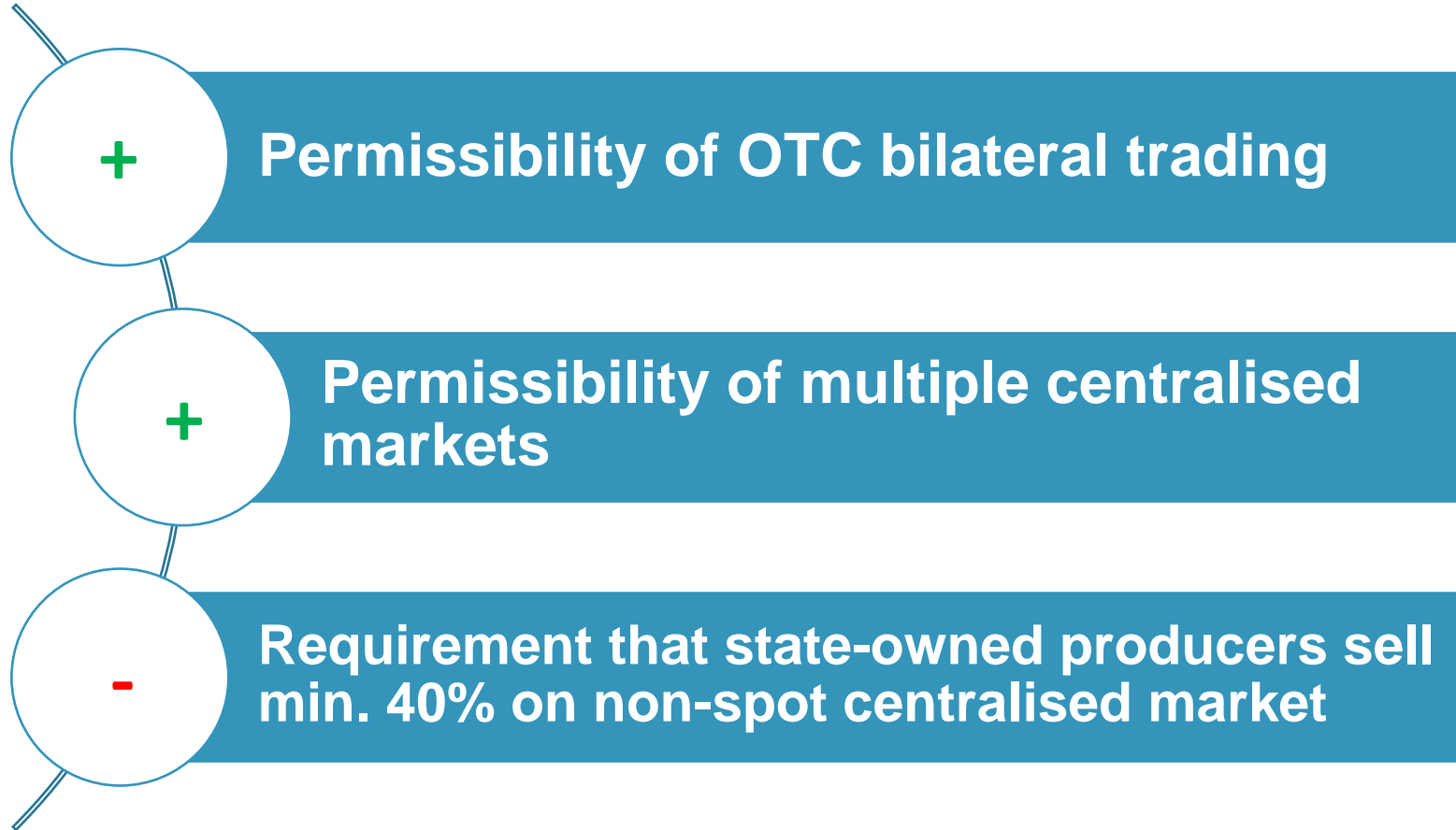


Recent Developments

..in Romanian Wholesale Trading Regulatory Framework

Essential reform of Energy Act L 123/2012

Key developments due to GEO 143/2021



Proposals for new GEO addressing April 2022 - March 2023

Key initial issues

- Wholesale trading transaction tax (10%)
- Extension of clawback mechanism
- Supplier margin limitation

Proposals for new GEO addressing April 2022 - March 2023

Key initial issues

- Wholesale trading transaction tax (10%)
- Extension of clawback mechanism
- Supplier margin limitation

Proposals for new GEO addressing April 2022 - March 2023

Remaining issues

- Extension of clawback mechanism
- Supplier margin limitation
- Producer limitations (prohibition on forward trading, fixed price sales to TSO/DSO)

Proposals for new GEO addressing April 2022 - March 2023

Remaining issues

-

Extension of clawback mechanism

**Improvements in transparency →
need for public consultations!**

-

Producer limitations (prohibition on forward trading, fixed price sales to TSO/DSO)

Summary

- Well-functioning and liquid wholesale energy markets ensure clear price signals, both short- and long-term
- Clear price signals incentivise the investments needed for decarbonisation and achieving net-zero
- Measures to mitigate the impact of high energy prices should be time-limited and directly target those affected (e.g. direct financial support to vulnerable consumers, reduction of taxes and levies)
- Transparent dialogue between all key stakeholders (regulators, policymakers, TSOs, traders) is essential

Thank You!
Mulțumesc!

EFET

European Federation
of Energy Traders
SO YOU CAN RELY ON THE MARKET

secretariat@efet.org ✉

www.efet.org 🌐