

## Prioritise Energy Market Integration for a Competitive Europe

**Brussels, 10 March 2025 - Reaction to the European Commission's Clean Industrial Deal and Action Plan for Affordable Energy**

### Key messages

- 1. Energy market integration should be the priority**
- 2. Any gas market review should be transparent, inclusive and should assess the impacts of recent policy measures on market functioning**
- 3. The review of supervision and surveillance frameworks can and must simplify rules**
- 4. Implementation, enforcement and evolution of electricity market rules is key**

### Energy market integration should be the priority

The EU is facing unprecedented political and economic challenges. As geopolitical shifts have underscored the risks of energy dependency, a strong, competitive European energy market is not just an economic necessity—it is a strategic imperative. The best way to deal with gas prices driven by geopolitical developments and electricity prices increasingly driven by weather is to make markets as integrated as possible. This uses the resources we have efficiently, reduces the overall amount of investment we need, and enhances security of supply. It also creates a much-needed simplification in rules.

We strongly support the Action Plan's statement that "There is a clear and urgent need to strengthen our Energy Union."<sup>1</sup> As the Letta Report concludes: "Over the years, energy

---

<sup>1</sup> European Commission, 'Action Plan for Affordable Energy' (2025), p. 1.

market integration has advanced significantly, becoming one of the cornerstones of the EU Single Market. And today, the Single Energy Market can well be Europe's best asset to ensure its success in a novel global order."<sup>2</sup>

We recommend that the EU institutions squarely focus on stepping up the level of energy market integration, including reviewing whether the current balance of competence between Member States and the EU is capable of driving the scale and speed of change we need. The key to affordable energy prices is not more regulation, but to simplify and harmonise energy markets across Europe.

**Any gas market review should be transparent, inclusive and should assess the impacts of recent policy measures on market functioning**

Europe's gas market has come through the strictest stress test imaginable. The Internal Market was placed under severe strain, firstly due to unexpected reduction in demand because of the COVID-19 pandemic, and then the urgent need to shift away from Russian gas due to Russia's war of aggression in Ukraine. It was only thanks to Europe's flexible gas market and access to global supplies that we could securely wean ourselves off Russian gas.

We are therefore somewhat surprised to see a review of the European gas market, with, reading between the lines, an implied suggestion of concern about the way in which it functions, identified as a priority. We consider that removing regulatory barriers to gas trading and implementing the *Methane Emissions Regulation* in a way that enables European gas importers to resume long-term contract negotiations, would be more likely to unlock benefits for customers.

The lack of transparency over the terms of the review, and the omission of active participation from stakeholders, sends an alarming signal and the proposal to extend storage filling targets sets a worrying precedent. The review was launched a month before it was

---

<sup>2</sup> Enrico Letta, 'Much More Than a Market' (2024), p. 61.

announced for the first time in the Affordable Energy Action Plan and appears to have drawn its first conclusion, without any due process, one week later.

The conclusion that storage filling targets should be extended seems to be at odds with the goal of achieving more affordable energy. The design of storage filling targets exacerbated prices during the energy crisis, and current uncertainty about whether Member States will modify targets is fuelling market uncertainty today. We do not consider storage targets to be a necessary feature of a well-functioning European gas market.

We expect any review to be comprehensive, transparent and inclusive. Its remit must consider the way the gas market functions in general and the impacts that recent policy measures have had or are currently having. As well as storage filling obligations, this should include:

- *The market correction mechanism* – which created uncertainty within Europe about risk management, sent a negative signal to international gas markets and should not be reinstated.
- *Joint purchasing* – which has seen relatively low volumes procured and creates extremely complex questions around cost and benefit sharing.

### **The review of supervision and surveillance frameworks can and must simplify rules**

The Action Plan also references the consultation foreseen in the MiFID legislation to assess the case for changes to the supervision and surveillance frameworks which apply to energy and financial markets. Markets must, of course, be well regulated and transparent. Our recent [report by Frontier Economics](#) shows that Europe has the highest levels of financial regulation in the world. There is an opportunity to simplify those rules and to make Europe a more attractive place to do business.

While the commitment to an open and transparent process is welcome, the Action Plan seems to hint at an unease about market functioning and hints at a desire to increase the level of regulation. As the Frontier report clearly shows, this would be a mistake which would

impact the liquidity of traded markets and tie up capital which could be better used to accelerate the energy transition.

### **Implementation, enforcement and evolution of electricity market rules is key**

The electricity market design reform was approved last year, and its implementation should be a priority for electricity markets. Indeed, the implementation of agreed rules, and enforcement where this doesn't happen, should be non-negotiable and we would like to see a more proactive European Commission.

We see a need to inject new momentum into electricity market integration. There are opportunities to improve and evolve the way forward markets operate, potential benefits from aligning the design of Contracts for Difference (CfDs) and Power Purchase Agreements (PPAs) and a real need to ensure cross-border capacity is made available. And there is an opportunity to enhance security of supply and competitiveness by expanding the Energy Union beyond the borders of the European Union. Doing this will require important design changes to the Carbon Border Adjustment Mechanism to reflect the specifics of electricity.

Market integration is, too often, seen as a bottom-up, technical process. Perhaps the real question we should address, and we encourage the Energy Union Task Force to start from here, is whether Europe can achieve its climate, affordability, competitiveness and security goals without a more integrated electricity market?

### **In summary**

A well-functioning, integrated energy market is Europe's greatest asset in navigating geopolitical uncertainty, driving the energy transition, and ensuring competitiveness. The Action Plan is a good starting point for further energy market integration, but we need a new urgency in that process and, as the foundations of the global order shift around us, we need to be willing to do things differently. Market integration is the quickest and simplest way to unlock value for customers and should therefore be our focus.