

Energy Traders Europe Response to Call for Evidence on legal framework for RES after 2030

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A well-functioning and integrated internal energy market is Europe's most valuable asset in delivering a cost-efficient, secure, and competitive energy transition in line with EU decarbonisation objectives. While public support mechanisms have played an important role in scaling up renewable energy sources (RES) for both power and gas, market-based solutions must remain at the core of the transition, as they enable correct price formation, optimise system operation, and minimise overall system costs for consumers.

While integration of the renewables into the power and gas sectors presents distinct challenges, several market barriers persist across both systems. Market fragmentation, insufficient harmonisation, and diverging national standards act as barriers to genuine energy market integration. Addressing these barriers and scaling the integration of renewables across the European energy system requires both sector-specific measures and a more holistic, system-wide approach.

Energy traders play a central role in enabling the integration of growing shares of RES. By providing liquidity, facilitating price discovery, managing risks, and optimising cross-border flows, traders help balance intermittent generation, reduce system costs, and support security of supply. They also drive innovation by developing market-based solutions that enhance system flexibility and enable demand response.

As a traders' association, we provide targeted recommendations to ensure that European energy markets remain fit for purpose, integrating increasing shares of RES while preserving efficiency, security of supply, and affordability. Many of these recommendations can be found in our [Integrate by '28](#) report, which provides a roadmap for completing the Internal European Energy Market.

Safeguarding the current market design

- The current electricity market design, based on marginal pricing, remains the most efficient framework for integrating renewable energy sources (RES). Accurate and

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undistorted price signals are essential, as they indicate when and where energy is scarce or abundant, thereby incentivising investments in flexibility, storage, and generation where they are most needed.

- Regulatory stability and predictability are crucial for well-functioning markets and investor confidence. We therefore call on the European Commission to safeguard the current market design, avoiding frequent or ad-hoc interventions that risk undermining price signals, reducing market trust, and delaying investments in new renewable capacity.

Keeping the EU ETS robust and predictable

- The EU Emissions Trading System has consistently proven to be an effective market-based instrument for decarbonisation. A strong and credible carbon price remains an important driver for renewable investment and the phase-out of carbon-intensive generation.
- Its effectiveness depends on a stable and predictable regulatory framework. The European Commission should preserve the integrity of the EU ETS by refraining from discretionary measures, by maintaining its core design features and avoiding measures that weaken the carbon price signal and undermine long-term investment decisions.

Supporting liquid and well-functioning Forward Markets

- Well-functioning and liquid forward markets (both OTC and on exchanges) are essential to enable consumers to hedge price risks and to support investment in new renewable generation. Declining liquidity reduces hedging opportunities for consumers and increases financing costs for renewable energy projects. Ensuring regulatory predictability is therefore key to maintaining trust and participation in forward markets.
- Power Purchase Agreements (PPAs) are important parts of forward markets, with maturity beyond traditional forward market contracts, thus enabling new private financing of RES. Supporting PPA markets with targeted harmonisation, fine-tuned financial regulation, and public guarantee schemes helps with scale deployment and integration of RES.
- Support schemes, such as Contracts for Differences (CfDs) and capacity mechanisms, should complement, not crowd out, forward markets. They should be designed efficiently, to be compatible with PPAs and include longer reference periods, promote efficient dispatch and incentivise hedging.

Deepening integration of European Energy markets

- Cross-border trading plays a key role in integrating renewable energy by ensuring that energy flows from where it is abundant to where it is most needed. Efficient use of interconnection reduces curtailment, lowers system costs, and improves security of supply. Further integration of European electricity markets is therefore essential to accommodate increasing shares of variable renewable energy across Member States.
- In addition to strengthening grid infrastructure, full utilisation of existing interconnection capacity must be ensured. In particular, consistent implementation of the 70% minimum capacity requirement is crucial to maximise social welfare and reduce the curtailment of renewable energy across Europe.
- To further develop European forward markets, we recommend issuing long-term transmission rights (LTTRs) with extended maturities beyond five years. Longer-term hedging instruments would improve investment visibility, facilitate cross-border trading, and support the development of cross-border Power Purchase Agreements (PPAs), thereby enabling private financing and integration of renewable energy across Europe.

Strengthening the framework for electricity Guarantees of Origin

- Guarantees of Origin (GOs) for electricity are a key market-based instrument to support renewable electricity deployment by enabling transparent tracking and disclosure of the renewable attribute of electricity, while being an essential component of the PPAs. A well-functioning and credible GO system for electricity strengthens consumer confidence, facilitates corporate sourcing of renewable energy, and provides an additional revenue stream for renewable generators.
- To fully realise their potential, the GO framework for electricity should be further harmonised across Member States, ensuring consistent rules for issuance, transfer, and cancellation. At the same time, preserving the tradability of electricity GOs across borders is essential to maintain liquidity and enable efficient market outcomes.

Towards a European target model for Biomethane

- As a low-carbon, technologically mature, and domestically produced substitute for natural gas, biomethane has the potential to support the EU's decarbonisation problems on several fronts. It displaces fossil fuel usage, helps address the problem of waste and sewage treatment, and – when produced locally – reduces reliance on imports, and does not require substantial additional infrastructure investments. Several legislative initiatives have already highlighted biomethane as a cornerstone of the EU's decarbonisation pathway and its 2050 climate neutrality ambition. Realising this ambition in future will depend on the creation of an integrated, EU-wide biomethane market, where demand can be met continuously and securely by the most cost-efficient sources across the continent, there are stable investment frameworks, robust sustainability certification, and seamless cross-border trade.
- The current context is characterised by a deep market fragmentation, where production is driven by national subsidies, and biomethane is almost completely consumed in the country of production, with priority given to directly connecting local producers and consumers, locking them in long-term deals. This model cannot be workable if the ambition is that of upscaling production, increasing the volumes on the market, and fulfilling the 2030 targets mandated by the RED.
- A European biomethane target model, based on the principles of the gas market and complemented by the uniform application of mass-balancing principles, is a necessary starting point to accelerate the roll-out of European biomethane. The current crisis demonstrates the importance of kick-starting Europe's biomethane market, including ensuring tradability across borders. The Commission should establish a task force with the industry to coordinate the work on developing a uniform biomethane target model.
- Elimination of all barriers to cross-border trade, especially the divergencies in national certification systems, harmonisation of compliance schemes, a State Aid framework that ensures a level playing field, and a fully operational UDB preventing double claims and allowing imports from third countries are cornerstones of biomethane market integration and roll-out.

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Reforming the regulatory environment for renewable and low-carbon hydrogen

- The delegated acts governing Renewable Fuels of Non-Biological Origin (RFNBO) and for low-carbon Hydrogen will need to be adjusted. The hydrogen market is still in its infancy, with little to no material in actual circulation. The current approach needs to be significantly simplified to provide flexibility and ensure technology-neutrality by linking support and eligibility based on verified lifecycle GHG intensity of the fuel. Early-stage deployment should be prioritised over assuming perfect conditions: RFNBO rules, including those in delegated acts, should allow pragmatic flexibility during early deployment phases to help encourage investment in hydrogen production until the market is more established.
- For hydrogen to properly scale up, hydrogen markets must be given the freedom to grow. This means putting in the appropriate frameworks for demand to build naturally, without relying on aggregation mechanisms.
- Protecting first movers and attracting further investments is paramount. To this end, providing regulatory stability and ensuring that the post-2030 RED framework supports long-term market continuity should be a priority.

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