energy traders europe

Integrate by '28

FEBRUARY 2026

One Europe, One Market.

An Energy Traders Europe roadmap to complete the Single Market for Energy by 2028.

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Foreword

Europe’s energy markets have delivered extraordinary benefits. Over two decades, integration and competition have strengthened security of supply, enabled the rapid growth of low carbon and renewable generation and boosted competitiveness.

In moments of crisis, Europe’s energy markets have consistently proven resilient, attracting energy to Europe when it was needed most.

Each year they deliver billions in additional welfare gains for consumers. But the job is not finished. In this increasingly competitive global economy and volatile geopolitical environment, fragmentation, regulatory uncertainty and uneven implementation are holding Europe back.

Geopolitical uncertainty has exposed Europe's vulnerabilities and shown the scale of the challenge we face. We must decarbonise at pace, maintain the competitiveness of our industry and attract the capital needed to revolutionise our energy system. That means that market integration is no longer a technical aspiration, it is an economic necessity. Energy Traders Europe is in full agreement with European Commission President Ursula von der Leyen. We must complete the Single Market for Energy by 2028. Integrate by ’28 sets out an achievable roadmap to complete the Internal Energy Market within this Commission mandate.

It focuses on the market and regulatory foundations that matter most: removing barriers to cross-border trade, strengthening price signals, ensuring rules are stable and predictable, and creating a framework in which private capital is attracted to Europe. These are not abstract reforms. They are the conditions required to improve the competitiveness of our economy, reduce the impact of global shocks on our economy, deliver Net Zero at least cost and make Europe a great place to do business.

But none of this will be possible without a policymaking culture fit for a true European market, and so the choices made in this next political cycle will determine whether its energy markets continue to be a source of strength — or become a constraint.

This report is Energy Traders Europe’s call to act now, to act decisively and to act together.

GSquicciarini

Giusi Squicciarini
Chair of the Board, Energy Traders Europe

What market integration has delivered – and how it can deliver more

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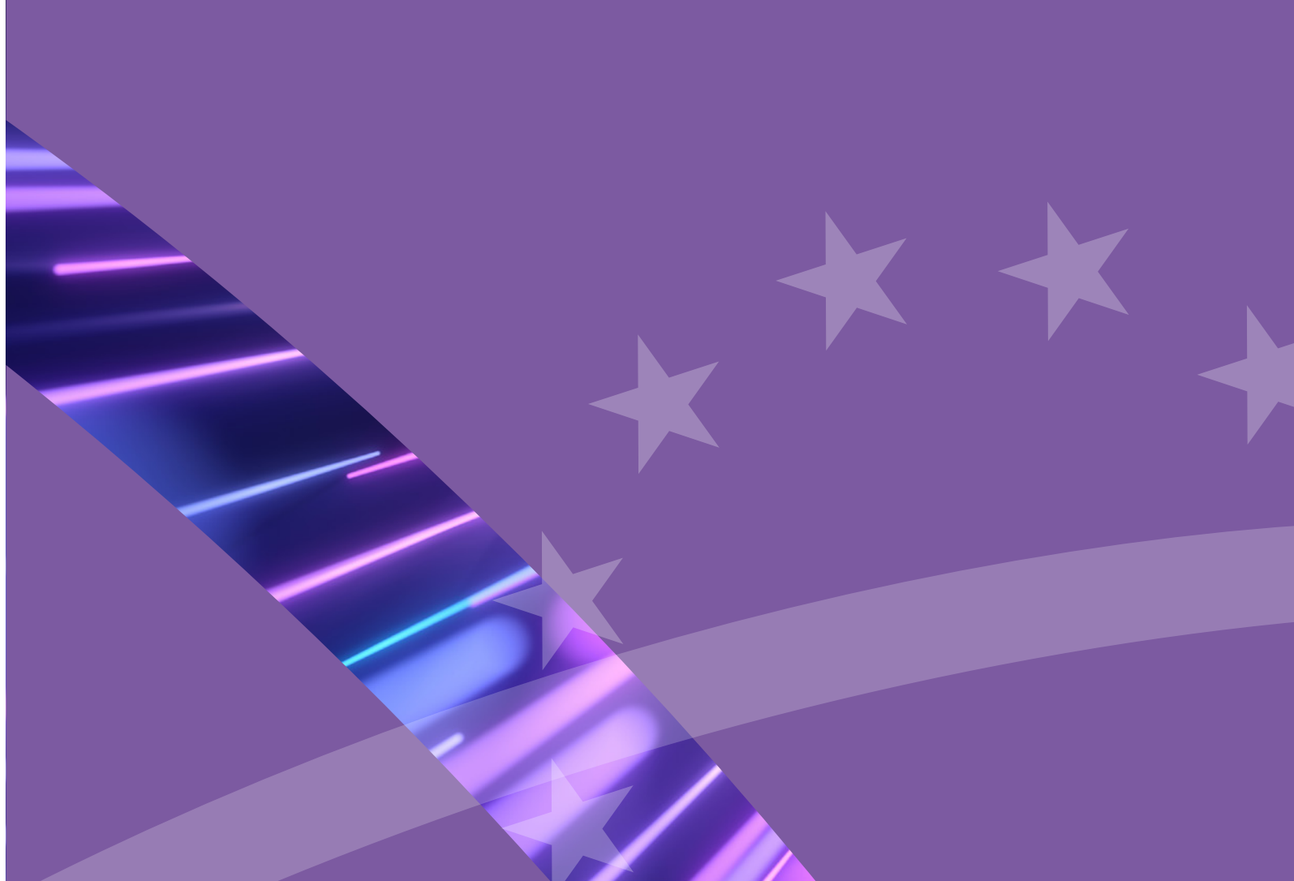

1 What market integration has delivered – and how it can deliver more

> “Over the years, energy 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.[1]”
>
> - Enrico Letta, Former Italian Prime Minister, author of Much More than a Market

Europe needs an urgency mindset

In her opening remarks to the World Economic Forum, European Commission President Ursula von der Leyen stated that “whether on trade or business, capital or energy – Europe needs an urgency mindset"[2]. The remarks follow-on from the Draghi Report on *The Future of European Competitiveness*[3], which outlines that Europe faces an “existential challenge”: without higher productivity and lower system costs, the European Union (EU) risks losing its position as a global industrial power. If this happens it will undermine its ability to finance its social model and lead the clean transition.

Former Italian Prime Minister Enrico Letta reached a similar conclusion. In his *Much More than a Market* report, Letta identifies the Single Energy Market as one of Europe’s greatest and most underutilised assets, warning that momentum towards deeper integration cannot be taken for granted[4].

The implication is clear: without renewed political commitment to completing the Internal Energy Market, Europe risks continued higher energy costs, weaker competitiveness and persistent inefficiencies at a time of increasing global economic and geopolitical pressure.

1 Much more than a market, (2024), Enrico Letta.
2 Special address by President von der Leyen at the World Economic Forum, (2026), Ursula von der Leyen.
3 The future of European competitiveness: A competitiveness strategy for Europe, (2025), European Commission (Mario Draghi report).
4 Much more than a market, (2024), Enrico Letta.

Simple solutions are in short-supply

Europe remains structurally constrained by limited primary energy resources, forcing a continued reliance on imported fossil fuels, particularly natural gas. The loss of Russian supply after 2022 and the impact of the closure of the Strait of Hormuz in 2026, combined with relatively slow progress in electrifying carbon intensive industries, exposed just how deep that dependency runs, and the fragility it creates. This scarcity of resources means there are no easy fixes: infrastructure bottlenecks limit rapid diversification and the accelerated shift to renewables is often constrained by grid capacity and investment challenges.

Further strengthening our Internal Energy Market is one of the quickest and arguably the most effective way of strengthening competitiveness, enhancing security of supply and accelerating decarbonisation.

Integrating markets has delivered

The Agency for the Cooperation of Energy Regulators (ACER) estimates that cross-border trade in electricity generated around €34 billion in welfare benefits in 2021 alone. This figure captures cheaper power flows, avoided curtailment, reduced fossil-fuel use, and lower system-wide balancing costs. Taken together, this demonstrates that Europe has, in a relatively short period, created an energy market with significant economic and strategic value – one that merits consolidation and completion rather than inaction.

Enrico Letta captures this point perfectly: “The integration of energy markets must be deepened. It is the only way to ensure solidarity, affordability, and sustainability in times of crisis”.

But we must go further

Completing the Internal Energy Market by 2028 is not an abstract institutional goal; it is the most effective lever available to the EU to strengthen industrial competitiveness, deliver cost-effective decarbonisation and ensure affordable, secure energy for consumers.

Mario Draghi, in his 2025 reflections on his report, noted: “The Internal Energy Market is not just a regulatory framework – it is Europe’s shield against fragmentation and price shocks.”

No single EU Member State can compete globally for energy resources. The answer to Europe’s structural disadvantages lies not in national self-sufficiency, but in deeper cross-border integration. Ultimately, Europe’s ability to remain competitive, meet its climate targets and protect consumers will depend on whether it succeeds in completing the Internal Energy Market.

As we transition to the energy system of the future

The era in which electricity, gas or carbon markets could be treated as separable or national is over. Policy choices in one part of the energy system now have consequences across others. Given this, we must integrate our thinking as well as our markets and infrastructure.

This means going beyond sector coupling and planning a truly integrated energy system. It demands conceptualising our energy system as one entity: spanning geographies, vectors, end uses and timeframes. As these interactions deepen over time, decisions will only become more complex and interrelated. If we fail to reflect this in how we design and manage our energy systems now, we will struggle to adapt in the future.

Integrate by '28

Our proposals start from a simple premise: Europe already has most of the legal, institutional and market foundations required to create a truly integrated energy market.

The report contains a set of proposals to enhance, integrate and strengthen European markets, with the aim of delivering an integrated energy market by 2028. These proposals relate to 'markets' – loosely defined as the set of integrated legal, regulatory and policy frameworks for electricity, gas and carbon trading that allow Europe to manage energy flows, emissions and investment decisions through competition and price signals at a continental scale.

As set out in chapters 2-5, which examine the energy challenges Europe is currently facing, three conclusions stand out: there is still significant work to be done; there is no 'magic bullet'; and, critically, Europe's response depends on the coherence and interactions between all parts of its response. Therefore, in many ways, it is the whole that is greater than the sum of its parts.

The final chapter of the report addresses what may be its most critical dimension. While we may have most of the foundations to deliver an Integrated Energy Market by 2028, a central question remains: do we have the will and the ambition to do so?

Therefore, this final chapter focuses on the culture that will be needed to turn this vision into a reality – including developing a shared sense of direction, consistently implementing what's been agreed and building a stronger partnership between policymakers and the market participants who operate in Europe's energy system every day.

This report demonstrates that by integrating markets rather than fragmenting them, and by relying on competition rather than intervention, Europe can turn its Internal Energy Market into a decisive strategic asset - driving competitiveness, enhancing security, delivering climate goals and protecting consumers.

Navigating the report

Precisely because Europe's energy system must be integrated across vectors, we've chosen to structure our policy recommendations into four chapters which reflect the challenges Europe is currently facing.

These chapters are:

Within our actions tracker you can see which parts of the Internal Energy Market a policy relates to via the simple key below:

Gas | Power | Carbon | Simplification

Completing the Internal Energy Market is not a simple task. There are actions which can and should be done immediately and things which will need slightly longer to be implemented. What is crucial is that we make progress and build momentum. Therefore, the report indicates when each proposal should, in our view, be delivered. We make no apology for being ambitious!

Driving competitiveness through an integrated, efficient energy system

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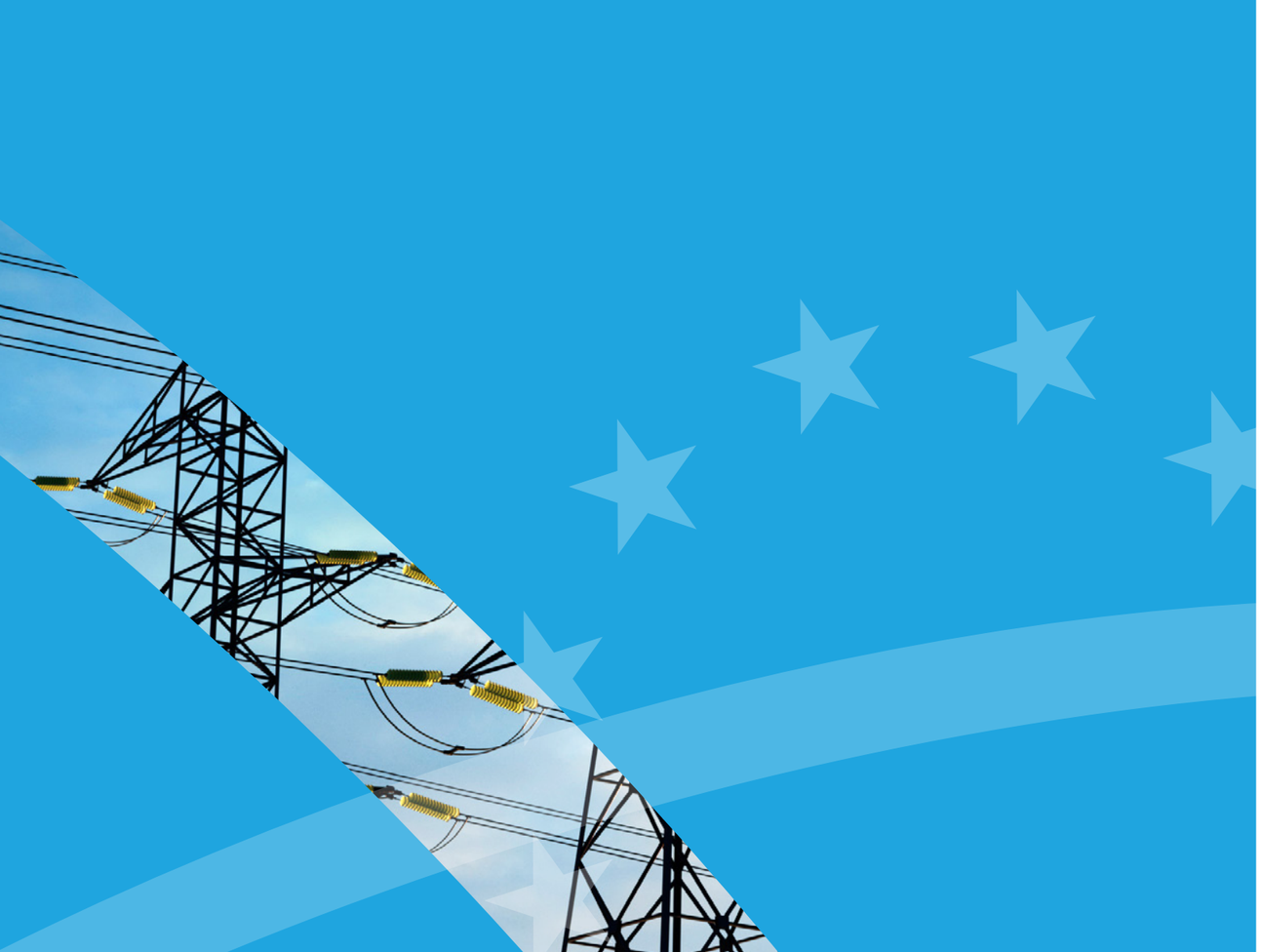


2 Driving competitiveness through an integrated, efficient energy system

> “Currently, we are only using half the potential of our grids: it is as if Europe had 100 motorways, but only used 50, while needing 200 in the future.[5]”
>
> - Dan Jørgensen, European Commissioner for Energy & Housing

Europe’s competitiveness over the next few years depends on efficiently using the assets it already has. Greater integration between geographies, energy vectors and markets all have a role to play. So too does the effective integration of flexible resources, storage and demand-side response.

2.1 Unlocking the full capacity of Europe’s grids

Too much of the capacity of the pipes and wires connecting countries remains unavailable to the market, despite clear EU rules and Treaty principles of free movement. This section focuses on maximising the use of the grids which Europe already has - by enforcing existing rules, aligning tariffs and ensuring that funds are deployed where they deliver the greatest system value for consumers.

2.1.1 Enforce the minimum 70% cross-zonal capacity requirement

Where we are

Under EU law, Transmission System Operators (TSO) have been required since 2019, to make at least 70% of electricity transmission capacity available to the market for cross-border trade. This requirement is not met across the EU, with only a limited number of Member States consistently achieving the target.

5 Op-ed: Europe’s new Energy Union — cleaner, cheaper and more connected, (2025), Dan Jørgensen

Where we need to be

By the end of 2026, all National Regulatory Authorities (NRA) should ensure that TSOs fulfill the minimum 70% availability requirement. This starts with TSOs stopping any restriction of capacity beyond the limits allowed in the Regulation, using all physical options to increase available capacity (e.g. dynamic line rating) and applying all remedial actions at their disposal. NRAs should also play their role by not granting blanket derogations and creating financial incentives and penalties to ensure capacity is made available to the market and that customers are compensated where this doesn't happen.

For TSOs consistently failing to deliver increased capacity, appropriate enforcement action should be taken by their NRAs, under the scrutiny of the European Commission

The result

More power can flow across borders, increasing competition and security and making it easier to integrate larger volumes of renewable energy.

Figure 1

Yearly average of where the minimum 70% requirement is met on the worst performing CNEC per hour in the Core CCR [6]

2.1.2 Focus congestion income where it adds most value

Where we are

Congestion income is generated at borders where market participants are willing to purchase more electricity transmission capacity than there is available. In 2023, German TSOs alone collected an aggregated congestion income of €1.55 billion[7]. EU law requires that congestion income is used to guarantee the availability of already allocated capacity and to expand network capacity[8]. However, congestion income is inconsistently used throughout the EU and is not deployed where it would have the highest added value, resulting in clear inefficiencies and missed opportunities to relieve congestion.

Where we need to be

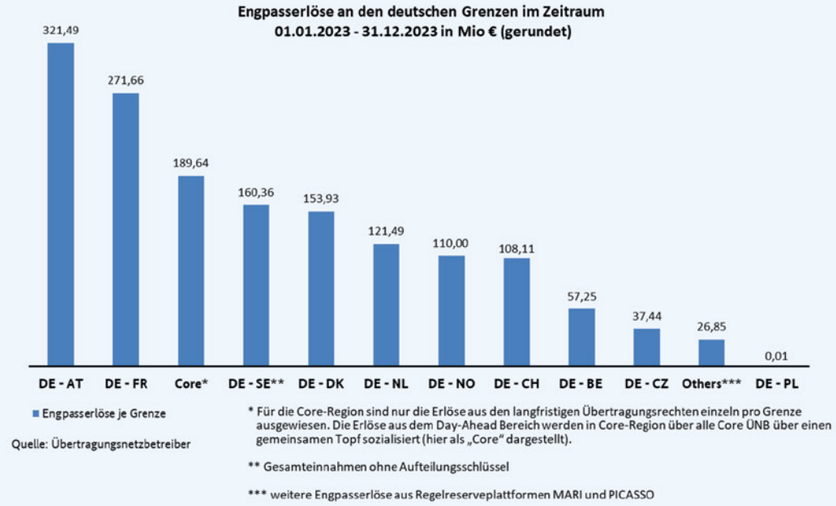
By early 2027, the European Parliament and Council of the EU should revise the Electricity Regulation and the Trans-European Networks for Energy (TEN-E) framework. This should ensure that congestion income is used to guarantee firm capacity or to make greater amounts of cross-border capacity available (as highlighted in 2.1.1). Income not used for these purposes should be pooled at EU level and be allocated to projects with the highest expected social welfare benefit.

The result

Congestion income, ultimately paid by consumers, is directed to where it delivers the greatest added value, strengthening system resilience and reducing long-term electricity costs across the EU.

Figure 2

Congestion income generated by German TSOs at borders[9]



6 ACER Monitoring Report on cross-zonal electricity trade and congestion management in the EU 2025, (2025), European Union Agency for the Cooperation of Energy Regulators.

7 Revenues resulting from cross-border congestion management from 1 January 2023 to 31 December 2023, (2024)
8 Revenues resulting from cross-border congestion management from 1 January 2023 to 31 December 2023, (2024), Bundesnetzagentur.
9 Ibid

2.1.3 Ensure the existing gas network is used efficiently

Where we are
Reservation of gas network capacities is governed by a set of rules known as Capacity Allocation Mechanism Network Code (NC CAM). However, the provisions of NC CAM have become outdated and are contributing to lower network utilisation and higher costs.

Where we need to be
By mid-2026 the ongoing revision of NC CAM should be finalised by ACER and the European Commission to ensure that capacity allocation is efficient and maximises cross-border gas flows.

The result
Europe's existing gas pipelines will be used more efficiently, enhancing security of supply and creating a greater spirit of solidarity.

2.1.4 Create robust and fair rules to share the burden of network congestions

Where we are
Under the Electricity Regulation and the Capacity Allocation and Congestion Management (CACM) Regulation, common rules for sharing the cost of congestion at regional level were expected to be developed by TSOs and adopted by NRAs/ ACER. Over a decade later these common rules are still being debated), holding back many TSOs from maximising the transmission capacity allocated for cross-border trading.

Where we need to be
By mid-2027, the European Commission should ensure there is an agreement between ACER and all NRAs which creates robust and fair rules for the cost-sharing of network congestion management. Failure of ACER and the NRAs to agree should result in legislative action by the European Commission.

The result
Clearer signals to guide TSO investment in grids. In time, a more even distribution of the benefits of market integration between customers

2.1.5 Improve the usage of gas network capacity in the CSEE region

Where we are
The phase-out of the bulk of Russian gas has seen the direction of European gas flows turn 180 degrees. A system which had operated on the basis of flows from east to west transitioned incredibly rapidly, demonstrating the strength and resilience of the system, by enabling gas to flow from west to east. This puts the markets of the Central, South, and Eastern Europe (CSEE) region furthest from the source of gas, rather than closest. As a result, the lack of integration, incomplete implementation of market rules and insufficient trust which, unfortunately, exists in many of these markets has a far more pronounced effect on customers. Efforts by the European Commission via initiatives such as Central and South-Eastern Europe Energy Connectivity (CESEC) are welcome, though more is needed.

Where we need to be
With a European Coordinator appointed by the European Commission for the CESEC region, coordinated efforts need to focus on full implementation of the EU acquis to integrate the region with the broader EU gas market. Products which don't comply with those rules (like Route "special capacity products") need to be phased out and regulatory independence ensured. This is a high and immediate priority.

The result
Greater confidence in the region, a gradual growth in traded volumes, a more secure and resilient system and fewer risks for customers. Laying the foundations for the effective integration of Ukraine.

2.1.6 Align the design of electricity network tariffs

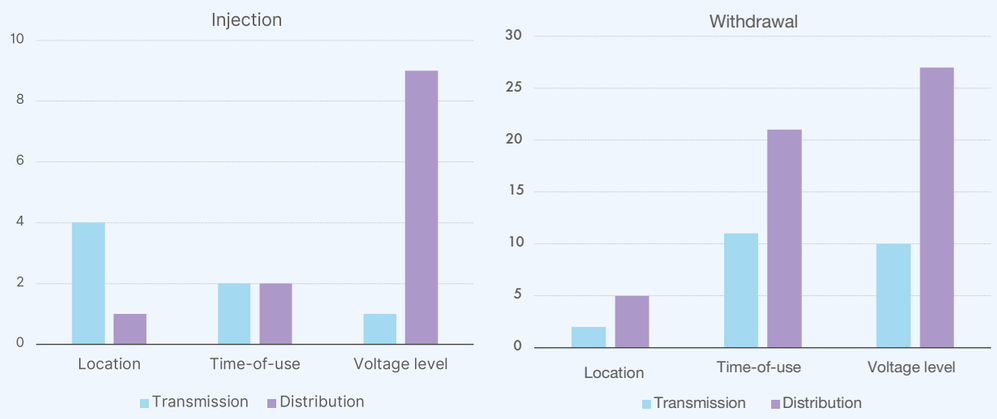
Where we are
There is currently no consistency in the objective or design of electricity network tariffs[10] across Europe. As a result, investment and location decisions can be driven by tariff structures, rather than the underlying value of that location, while operational decisions and cross-border trade may be distorted.

Where we need to be
Building on recent European Commission guidance, by the end of 2028, NRAs should agree on a common purpose for network tariffs and align their structures. This should provide a basis for a practical alignment of tariff design by the end of the decade. Tariff design principles should ensure cost-reflectiveness, transparency, and non-discrimination of electricity network tariffs across the EU.

The result
Greater efficiency and a future system with lower total costs. A more stable environment making Europe an easier place to invest.

Figure 3

Number of countries applying different tariff bases for electricity injection and withdrawal [11]



10 Commission Notice on guidelines on future-proof network charges for reduced system costs, (2025), European Commission.
11 Getting the signals right: Electricity network tariff methodologies in Europe — ACER report on network tariff practices, (2025), European Union Agency for the Cooperation

2.1.7 Strengthen the Gas Tariff Network Code to enhance stability and facilitate trade

Where we are
Rules on gas tariffs are laid out in the Network Code on Harmonised Transmission Tariff Structures for Gas (NC TAR). The amount of national discretion under the network code is undermining its ability to enhance cross-border trading, as tariffs are being calculated in very different ways, little notice of changes is often being provided and the scale of changes in tariffs can be very large. For example, several Member States have sought to recover the costs arising from measures introduced during the energy crisis (e.g. storage obligations) by increasing cross-border tariffs.

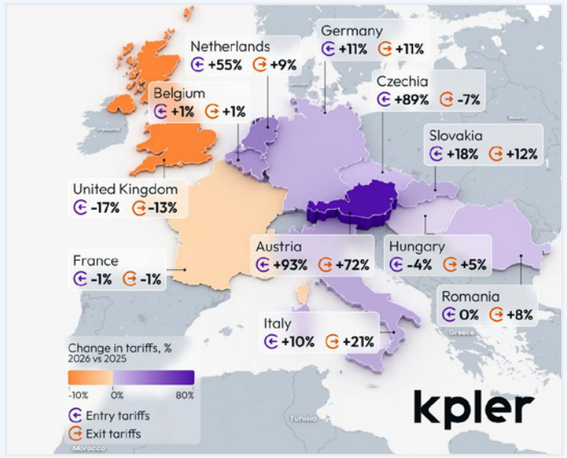
The result has been fragmentation of the market and reductions in traded volumes. This was a point made by the Czech Republic, Austria, Slovakia, and Hungary in a 2025 Energy Council discussion.

Where we need to be
The European Commission needs to amend NC TAR by 2028 so that it provides the stability and predictability necessary to create confidence.

The result
A better utilised and less risky network – creating consequential benefits for all of Europe's policy goals.

Figure 4

Percentage change in gas transmission tariffs in 2025 and 2026 [12]



12 https://www.kpler.com/blog/european-natural-gas-outlook-2026

2.1.8 Improve risk management by auctioning multi-year forward transmission rights

Where we are

Long-term hedging in Europe's electricity markets remains constrained by the limited availability of forward transmission rights. This makes it difficult for market participants to hedge risk effectively, support long-term investment decisions or manage variable renewable output efficiently. These challenges lead to less investment and a higher cost of capital.

Where we need to be

By the end of 2027, all EU TSOs should conduct auctions of multi-year, zone-to-zone transmission rights, for delivery starting in 2028.

The result

Deeper long-term liquidity which makes it easier for market participants to manage renewable output across borders and provides greater investment certainty to project developers. Lower costs of risk management.

2.1.9 Make network connection more transparent, flexible and creative

Where we are

Access to Europe's electricity grids is under significant pressure as our electricity system is becoming increasingly decentralised. Much of the new generation capacity is renewable, flexible and local and connection delays slow the process and undermine investor confidence.

In many cases across the EU, these challenges are exacerbated by outdated connection rules and inflexible approaches from TSOs, resulting in long connection queues, including projects that are unlikely to ever connect.

Where we need to be

- By 2026, TSOs should publish information on where network capacity is available and where the location of load (such as data centres), flexible demand or generation could reduce overall system costs.
- By 2027, TSOs should take a more proactive approach to connection management and propose novel network access products, such as shareable access and tradeable access, while ensuring investment cases remain robust.
- By 2028, NRAs and TSOs should align these rules, at least at regional level.

The result

A more flexible energy system that improves access to grid capacity, accelerates investment and enables more rapid decarbonisation.

2.2 Incentivising greater flexibility and demand-side participation

As Europe's electricity system becomes increasingly driven by renewable generation, flexibility and demand-side participation are essential. Equally important is creating flexibility in gas markets, by efficiently using gas storage and flexible contracts. This section focuses on removing the remaining barriers to demand side participation, strengthening coordination between system operators and ensuring market designs and price signals reward flexibility where and when it delivers the greatest system value.

2.2.1 Adopt and implement the electricity Demand Response Network Code and enhance coordination and data sharing between TSO and DSOs

Where we are

Demand-side response is a critical tool for Europe's electricity markets, yet significant barriers remain. The European Commission's impact assessment for the Network Code on Demand Response highlights persistent challenges around access to timely, accurate data and effective information exchange. In parallel, coordination between TSOs and Distribution System Operators (DSO) remains limited.

This lack of coordination constrains efficient access to distributed generation, storage and demand response and limits the system's ability to use flexible assets and services effectively across grid levels.

Where we need to be

The Network Code on Demand Response should be adopted by the European Commission by mid-2026 and fully implemented by the end of 2028, supported by a structured review to identify any gaps and ensure effective coordination and data sharing between TSOs and DSOs in practice.

The result

A clearer, more aligned set of market rules and enhanced TSO-DSO coordination – all of which should reduce risk for investments in distributed generation and demand side response.

2.2.2 Complete the integration of EU electricity balancing platforms (PICASSO, MARI)

Where we are

Europe's balancing markets remain incomplete, with uneven Member State participation weakening competition and preventing flexible resources from being used where they deliver the most value. For the PICASSO platform, six out of 24 participating TSOs remain outside its scope, while for MARI just 11 of 29 TSOs are currently participating.

Where we need to be

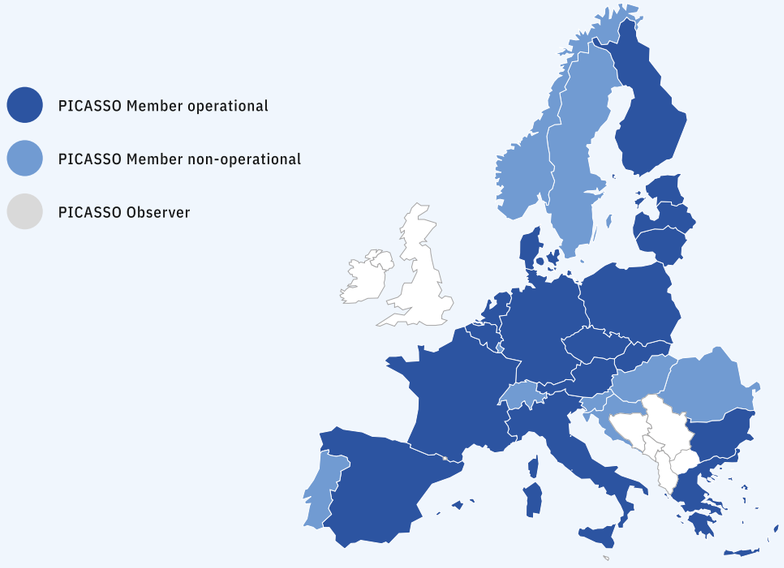
All TSOs should join EU balancing platforms such as PICASSO by the end of 2026, with all TSOs joining MARI by mid-2027.

The result

A more flexible system which supports the integration of renewable energy and lowers costs to customers. In the case of the PICASSO platform, full participation is expected to result in 1.3 billion of annual welfare gains[13].

Figure 5

PICASSO implementation project (as of July 2025) [14]



13 The economic impacts of integrating European balancing markets: The case of the newly installed aFRR energy market-coupling platform PICASSO, (2023), Martijn Backer, Dogan Keles, Emil Kraft,

14 Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation (PICASSO), (2025), European Network of Transmission System Operators for Electricity (ENTSO-E).

2.2.3 Reintroduce flexibility in gas storage filling

Where we are

Temporary EU gas storage obligations were introduced in 2022 [15] and have been extended to the end of 2027 [16]. As illustrated in figure 6, while summer gas storage remains above historical averages, peak/winter storage levels are below 2017-2020 levels. This is in part due to the fact that mandated storage and intermediary targets artificially inflated summer demand, pushing up prices for consumers. At the same time, this shift in demand eliminated the price difference that was typically observed between summer and winter, discouraging commercial use of these facilities.

Where we need to be

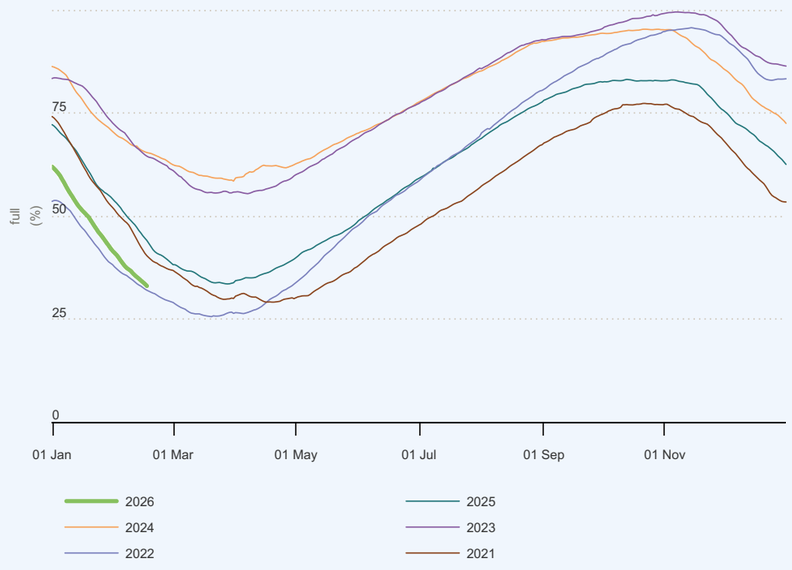
During the 2026 review of the Gas Storage Regulation, the European Commission should signal its intention to allow the Regulation to lapse at the end of 2027, reverting to a market-led framework under normal conditions.

The result

A greater responsiveness to market conditions and storage filling in a more cost-efficient manner.

Figure 6

EU gas storage levels [17]



15 Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage, (2022), European Parliament & Council of the European Union

16 Regulation (EU) 2025/1733 of the European Parliament and of the Council of 18 July 2025 amending Regulation (EU) 2017/1938 as regards the role of gas storage for securing gas supplies ahead of the winter season, (2025), European Parliament & Council of the European Union.

17 AGSI — Historical EU gas storage data, (2026), Gas Infrastructure Europe (GIE),

2.2.4 Ensure local markets are part of an integrated Europe wide market design

Where we are

"Local markets" for energy or capacity provided by a service provider to a TSO or DSO[18] are emerging across Europe, which is a positive development. These markets are being implemented through different platforms and algorithms, operated by a range of providers and designed in diverse ways. This creates opportunities to innovate and learn through experience, but also carries the risk of market fragmentation and isolation. Markets operating at different geographic levels, be it local, national, regional and EU-wide, should be able to interact effectively to minimise system costs.

Where we need to be

By the end of 2027, the European Commission and co-legislators should ensure that local market design is consistent with the wholesale market, enabling flexible assets and services to be optimised across geographies.

The result

A genuinely system-wide approach which underpins a flexible, decarbonised future energy system.

2.2.5 Reflect the true value of scarcity in electricity imbalance prices

Where we are

Imbalance prices are the prices market participants pay when they fail to deliver the volumes they have committed to. How these prices are calculated matters, because it determines how strong the incentive is to remain in balance or contribute to overall system balance. Imbalance pricing therefore strongly influences the willingness to trade across all markets ahead of real time. At present, the methodology designed to harmonise imbalance prices remains underdeveloped, and imbalance price structures vary significantly from one country to the other.

Where we need to be

By the end of 2028, a truly harmonised imbalance pricing methodology should be fully implemented across the EU, based on the value of lost load – the real cost faced by customers when electricity is not delivered. This needs to be driven by ACER and NRAs based on a proposal from TSOs.

The result

Flexible resources become more valuable and investment in them more attractive. The electricity system becomes more flexible more quickly, reducing long-term system costs by levelling the playing field across the EU.

18 Such markets are used to solve intra-zonal physical congestion or support voltage control.

Securing the energy we need

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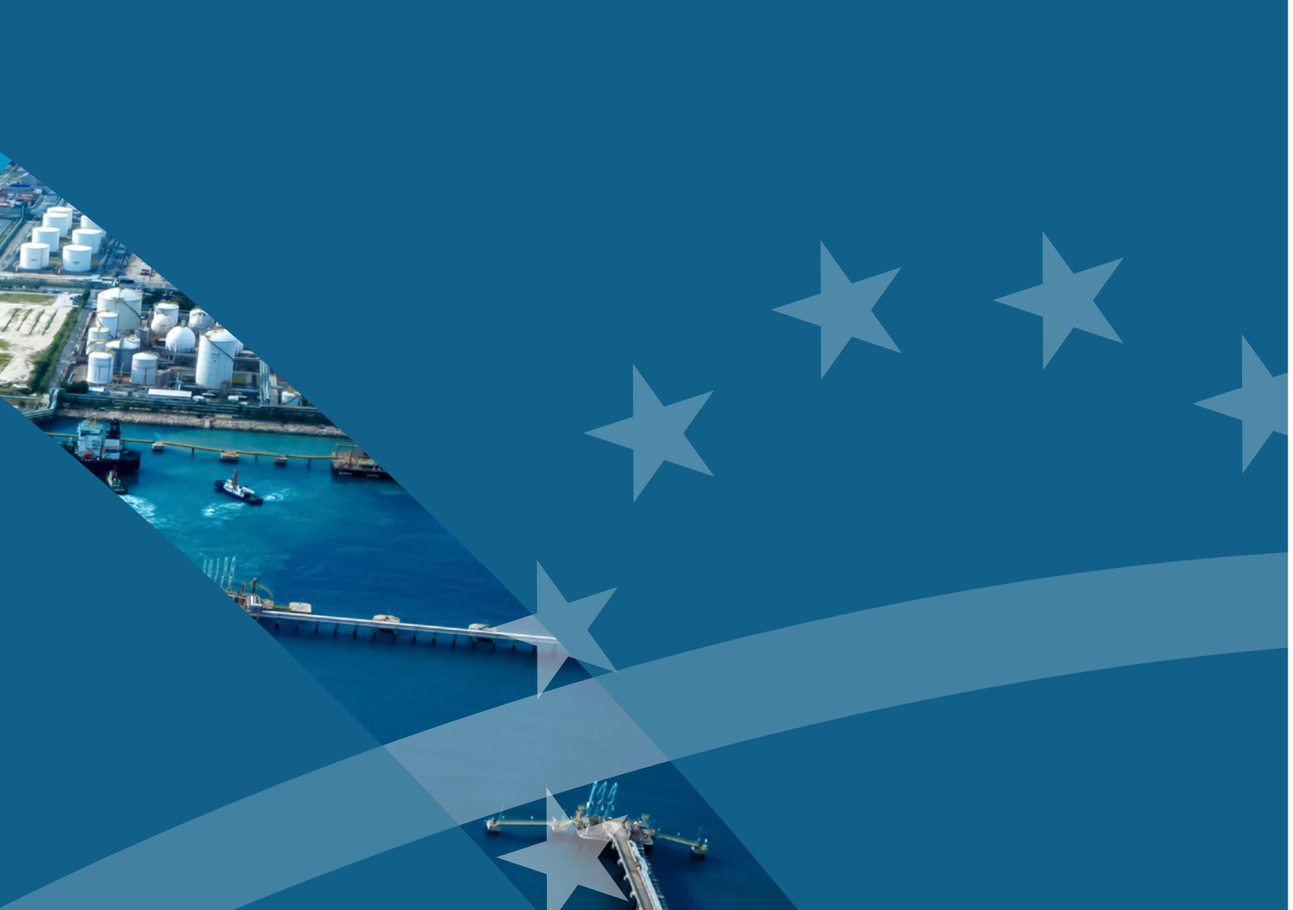


3 Securing the energy we need

> “Investors and suppliers need clarity. Europe must send stable, predictable signals if it wants to secure gas and LNG in the years ahead.”
>
> - Christian Zinglersen, Former ACER Director

As a continent which does not benefit from large amounts of fossil fuel resources, Europe needs to ensure it can access the energy it needs. In the short-term this means being an attractive destination for global Liquefied Natural Gas (LNG) cargoes as we phase out the last Russian gas from the system and make full use of the electricity resources we have. In the medium term, it’s about expanding the size of the Internal Energy Market, accelerating towards our decarbonisation ambitions and building European markets in biomethane and low carbon gases.

3.1 Attracting supplies in a global market

Completing the phase out of Russian gas in the short term depends on Europe’s ability to attract global supply through clear, predictable rules, including under the Methane Regulation. This section focuses on removing uncertainty and facilitating access to a global market in which prices are expected to fall in the coming years.

3.1.1 Issue clear guidance to make the authorisation processes for non-Russian gas as robust as possible

Where we are

The EU has passed legislation to permanently end the import of Russian gas (the so-called RePower EU framework[19]). The legislation contains a prior authorisation regime for imports, and an exemption system for trusted partners. In simple terms, this means that gas coming from trusted parties will be deemed non-Russian in advance and gas coming from countries which are not on that list will be subject to national authorisation processes – intended to be completed within 5 days. As it stands, precise rules on pre-authorisation have not been detailed and there is a chance that they will differ between countries within Europe. This creates a layer of risk which can lead to conservative procurement strategies[20].

Where we need to be

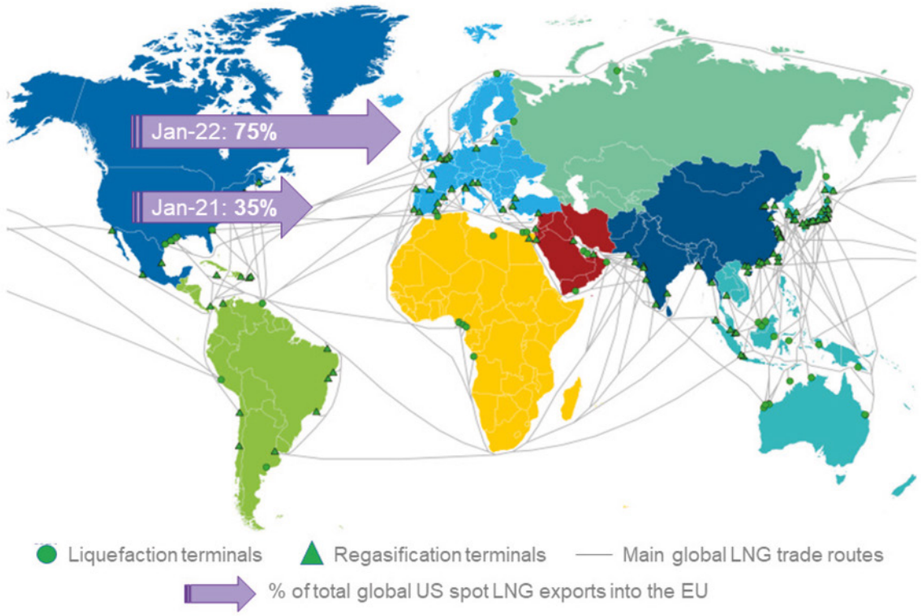
By mid-March 2026, the European Commission should ensure that national authorisation procedures are as clear and consistent as possible. It should strive to align, simplify and clearly communicate details of the regimes to all potential importers.

The result

More flexibility and less risk that an administrative delay, or a concern about an administrative delay, creates a disincentive to import gas into Europe.

Figure 7

Global LNG shipping routes[21]



19 Council note and analysis of final compromise text (ST-16279-2025-INIT), (2025), General Secretariat of the Council of the European Union.
20 Analysis of the European LNG market developments, (2025), ACER.

22 Final assessment of EU wholesale electricity market design, (2025), ACER

3.1.2 Amend the Methane Regulation to access global LNG supply

Where we are

At the same time as Europe is phasing out Russian gas, the global gas market is experiencing a downward trend in prices with a substantial wave of new LNG supply coming online. This creates an opportunity for Europe to benefit from competitively priced non-Russian gas. However, as outlined by ACER in a recent report, the EU Methane Regulation (EUMR) "could lead to reduced supply options for the EU and increased costs for compliant LNG, potentially presenting short-term risks for Europe's energy security"[22]. This stems from new obligations for companies to provide information on imported volumes that either does not exist or is not accessible to them.

Where we need to be

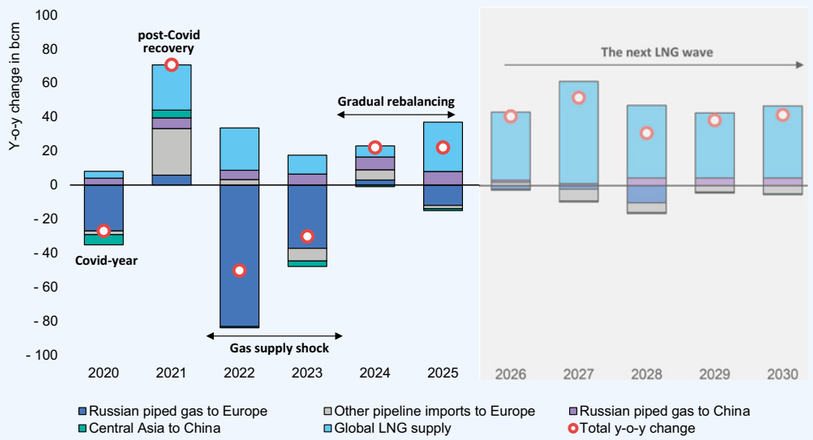
By March 2026, the European Commission should suspend the implementation of the EUMR[23] and refrain from penalising companies until they are provided with the tools which enable them to demonstrate that they comply. To achieve that, the European Commission should propose a revision of the EUMR along with guidance for implementation by the end of 2026[24].

The result

Europe will be better able to attract supplies and benefit from falling international gas prices, while preserving the climate protection objectives of the EUMR.

Figure 8

Global gas supply shifts from shock to surplus as new LNG capacity drives post-2026 price easing[25]



22 Analysis of the European LNG market developments, (2025), ACER.
23 Paused through a so-called 'stop the clock' mechanism.
24 Presidency conclusions on strengthening the Energy Union through reinforcing energy security, (2025), Council of the European Union,
25 Gas 2025: Analysis and forecasts to 2030, (2025), International Energy Agency.

3.1.3 Supplement the Russian gas phase out with a ban on Russian entities holding LNG terminal capacity

Where we are

Under the ban on imports of Russian LNG, capacity that should be freed-up may remain inaccessible due to long lead times for termination under force majeure clauses in contracts[26]. In addition, in several cases the rules that require unused terminal capacities to be returned to the market are weak. This limits Europe's ability to absorb non-Russian LNG, just as global supply expands and prices fall.

Where we need to be

By March 2026, the European Commission should propose supplementing the existing ban on Russian LNG imports with a ban on provision of terminal services to Russian entities; potentially implemented as part of the 20th sanctions package.

The result

Enhanced security of supply and a greater resilience to shocks by improving access to global gas supplies.

3.2 Making best use of Europe's resources

As well as being attractive internationally, we need to maximise domestic resources. In electricity, this means a much more integrated and cost-effective approach to planning and procuring new capacity and a set of market rules which can work for the areas, such as the North Sea, where huge amounts of future resources will be located. In gas, it means making full use of Europe's biomethane potential.

3.2.1 Integrate capacity remuneration mechanisms across borders

Where we are

When designed, the Internal Energy Market did not include capacity remuneration mechanisms. Since that time many Member States have chosen to introduce different mechanisms to ensure electricity capacity adequacy. Designs vary, systems are exclusively national (though adequacy assessments have become more regional), externalities have cross-border implications and prices have been rising. In fact, capacity mechanism prices have more than doubled since 2020. The prices paid for capacity can also vary up to ten-fold across Member States, with total costs for capacity mechanisms across the EU now standing at approximately €6.5 billion per year[27].

26 The EU Proposal to Ban Russian Gas Imports: Roadblock more than roadmap (NG 199), (2025), Oxford Institute for Energy Studies.
27 ACER, Security of EU Electricity Supply, (2025).

Where we need to be

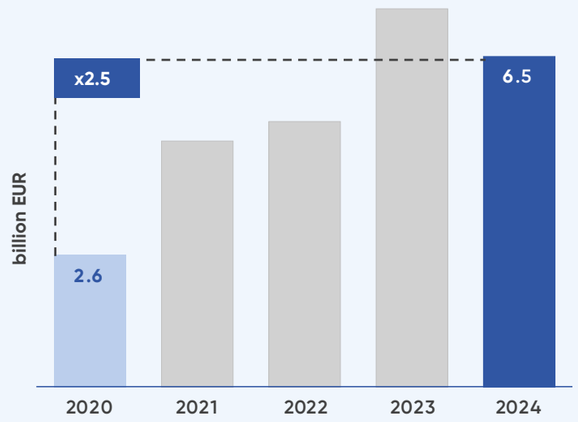
By the end of 2028, the European Commission should present a proposal to the European Parliament and Member States to integrate existing capacity mechanisms by aligning their design and procuring capacity at regional level, building on existing regional adequacy assessments.

The result

Europe could deliver the same, or a greater, level of security of supply at lower total system cost. By reducing duplication, avoiding inefficient over-procurement and enabling capacity to compete across borders, integration would lower costs for consumers, improve long-term price signals and strengthen system resilience[28].

Figure 9

The cost of capacity mechanisms more than doubles from 2020 to 2024, detailed within ACER's Security of EU electricity supply monitoring report [29]



28 Three steps to a regional capacity market in the EU, (2025), Emma Solène Menegatti & Leonardo Meeus.
29 ACER, Security of EU Electricity Supply, (2025).

3.2.2 Agree a target model for European biomethane trading

Where we are

Today, there is no common European trading model for biomethane. Rather, European energy regulators have noted there is "a diversified landscape of different mechanisms across Member States which could lead to a fragmented European biomethane market", and we see this already having an impact with negligible cross-border trade. The EU has set a non-binding target of producing 35 bcm of biomethane by 2030, yet, by the end of 2024, the installed biomethane production capacity in the EU reached just 3 bcm [30].

Where we need to be

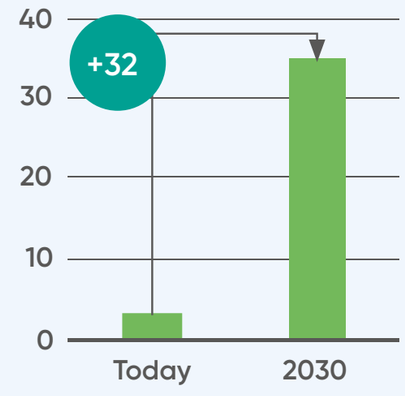
The integration of gas and power markets in Europe was guided by agreeing, and then implementing, a target model. We need to do the same for biomethane, using the principles of the gas market as our starting point. This should be done by the end of 2026 with the European Commission leading a cross-industry initiative.

The result

Greater predictability for producers, traders and offtakers and swifter progress towards the 35bcm target.

Figure 10

From 3 bcm biomethane production today to 35 bcm EU-27 [31]



30 NRAs' reflections on enabling the injection and access to the wholesale market of biomethane, (2025), Council of European Energy Regulators.
31 Delivering 35 bcm of biomethane by 2030 — REPowerEU with biomethane, (2025), European Biogas Association.

3.2.3 Allow renewable gas imports to contribute to the EU biomethane target

Where we are

It is either difficult or impossible to import biomethane into Europe in 2026. This is largely because of the design of national support schemes and a lack of rules governing the access of third countries to the Union Database (UDB) – where proofs of sustainability have to be registered. Given the ambition of the 35bcm target – and the potential for countries like Ukraine to play a large role in this sector – this will reduce the likelihood and increase the cost of meeting the target.

Where we need to be

By the end of 2026, the European Commission should clarify its policy positions on imports, agreeing they can play a role in growing the biomethane market. The UDB should be amended to deliver this goal as soon as possible.

The result

The 35bcm target is met at lower cost. A Europe-wide market develops more quickly.

3.2.4 Ensure our market design can unlock offshore wind in the Northern Seas

Where we are

Estimates suggest up to 300 GW of wind may be connected offshore by 2050, 100 GW of which through cross-border cooperation projects[32]. At the recent North Sea Summit, Commissioner Jørgensen referred to offshore wind as: "Europe's path to true independence". Many argue that the EU will not hit its climate goals at all, and certainly not in a cost effective way, if we fail to build this capacity. However, there is no clarity on how an integrated offshore network, which would see energy flowing between the eight countries bordering the North Sea, could be planned, operated, funded or governed. There is therefore a pressing need to clarify and design, a single set of rules.

Where we need to be

Offshore wind developments in the North Sea must pave the way for a common market design and regulatory framework, covering all neighbouring countries. While much work has been done via the North Seas Countries' Offshore Grid Initiative (NSCOGI), now is the time to super-charge that initiative and back it by legislation to remove barriers if necessary. The European Commission and ACER need to convene an industry working group to make an integrated offshore network feasible by 2028.

The result

A huge stride towards meeting our decarbonisation ambitions, lower levels of support paid out, a more secure and resilient system and the foundations for the energy system of 2035 and beyond.

32 The Hamburg Declaration, (2026), Heads of State and Government at the North Sea Summit.

3.3 Expanding the Internal Energy Market

Delivering affordable, secure and low-carbon energy at scale requires markets that extend beyond national borders and make full use of Europe's interconnected system. In practice, this means ensuring that neighbouring markets which are physically integrated with the EU can also participate in common market arrangements. This section focuses on extending market integration with key partners.

3.3.1 Restore efficient EU-UK electricity trading arrangements

Where we are

There are nine electricity interconnectors between the EU and Great Britain, capable of powering approximately 27 million homes across the EU. However, following Brexit, Great Britain left both the Internal Energy Market and Single Day Ahead Coupling (SDAC). The move to explicit coupling and local auctions, rather than implicit coupling[33], has led to under-use of interconnectors. Weaker price convergence has reduced the efficiency of cross-border trade, resulting in higher costs for consumers, with estimated welfare losses of around €50 million every year[34].

Where we need to be

By the end of 2026, the EU and United Kingdom (UK) should have concluded negotiations on an EU–UK Electricity Arrangement to restore participation in EU trading platforms in all timeframes.

The result

More efficient use of the interconnectors between GB, leading to strengthened security of supply for the EU and the island of Ireland in particular. A more stable basis for developing large volumes of offshore wind energy.

3.3.2 Prioritise the integration of Ukraine into EU electricity and gas markets

Where we are

Ukraine's desynchronisation from the Russian grid and synchronisation with the EU system in 2022 was a remarkable achievement. The logical next step, for both gas and electricity, is to integrate Ukraine into the Internal Energy Market. This goes far beyond energy policy alone: market integration would support Ukraine's reconstruction and strengthen its long-term security. It is estimated that due to an underutilisation of cross-border capacity with EU Member States, €487 million in annual welfare gains are lost for Ukraine, reinforcing the economic value of deeper integration.

Where we need to be

By mid-2026, the Ukrainian Parliament should adopt its Electricity Integration Package. By mid-2027, the European Commission and the Energy Community should agree on a roadmap for Ukraine's phased integration into EU electricity and gas markets.

The result

Benefits for Ukraine and the EU. An important step in the reconstruction of Ukraine and vital step for security of supply in the short-term. Medium term benefits to the EU through easier access to Ukraine's gas storage capacity and future renewable gas potential.

3.3.3 Integrate the Energy Community contracting parties into EU electricity markets

Where we are

Over the past decade, the EU and the Energy Community have worked to integrate the Western Balkans into the Internal Electricity Market. While progress has been made on the transposition of EU rules, it has been slower than initially envisaged. The introduction of the Carbon Border Adjustment Mechanism (CBAM) from 1 January 2026 has made the need for deeper and timely market integration more pressing.

Where we need to be

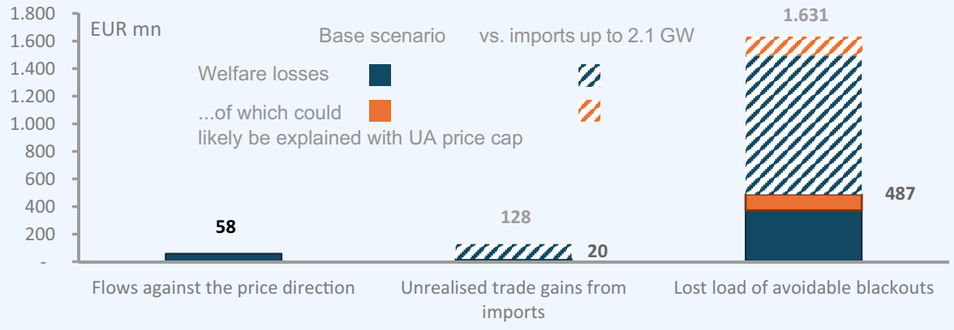
Full market coupling by beginning of 2028 between the EU and early-mover Energy Community contracting parties like Serbia and Moldova. Full transposition and verification of the EU energy acquis throughout the Energy Community should be finalised by 2027.

The result

Social welfare gains by enabling efficient cross-border trade, strengthening security of supply, reducing reliance on Russian fossil fuels and lowering costs for customers.[35] If carbon pricing mechanisms are developed in the region, the possibility to remove the CBAM from electricity imports into the EU.

Figure 11

From Estimated welfare losses resulting from inefficient cross-border electricity trade between Ukraine and the EU [36]



33 How does it work? Explicit and implicit capacity auctions, (2025), Nord Pool Group.
34 Brexit and interconnectors: Implications for energy markets and cross-border infrastructure, (2025), Frontier Economics.

35 The Western Balkan energy sector: between Russia, the European Union and the green transition, (2025), Nina Vujanović, Rouven Stubbe & Maria Catarina Louro.
36 Ukraine cross-border electricity trade: From short-term security of supply imperatives to flow-based market coupling, (2025), Susanne Nies, Rouven Stubbe, Ihor Piddubnyi, Marius Schrade, Georg Zachmann.

3.3.4 Implement the EU-Switzerland Electricity Agreement

Where we are

After almost a decade of negotiations, the EU and Switzerland reached and signed an Electricity Agreement in 2025. However, Switzerland remains outside the Internal Electricity Market until the agreement is ratified and implemented, creating unnecessary costs for market participants. Swift ratification is essential to allow implementation to begin and to deliver the benefits of full integration.

Where we need to be

The Electricity Agreement should be ratified by the European Parliament and Swiss Federal Assembly as soon as possible. Following a popular referendum in Switzerland, it should then be swiftly integrated within Swiss law.

The result

A stronger Internal Energy Market.

Reaching carbon neutrality at least cost

4

4 Reaching carbon neutrality at least cost

> “The energy transition is not a cost; it is an investment in a more competitive and modern economy.”
>
> - Teresa Ribera, Executive Vice President for a Clean, Just and Competitive Transition

It is vital that Europe delivers on its decarbonisation goals and that it does so in the most efficient way possible. This chapter sets out how Europe can use markets more effectively to deliver cost-effective decarbonisation. It focuses on strengthening carbon and power price signals, enabling long-term contracting and hedging, scaling flexibility and storage, and ensuring that policy frameworks remain technology-neutral and investment-friendly.

4.1 Strengthening the ETS

The EU Emissions Trading Scheme (ETS) is the centre-piece of European decarbonisation policy and should remain at its core. As the carbon price becomes an increasingly central driver of investment decisions, its design must support liquidity, stability and long-term confidence. This section therefore focuses on the practical steps needed to strengthen and expand the EU ETS.

4.1.1 Ensure the ETS remains the primary driver of decarbonisation

Where we are

The sectors covered by the EU ETS have reduced greenhouse gas emissions by 50% between 2005 and 2024[37]. However, calls are now being made to extend the duration of free allowances, use the Market Stability Reserve (MSR) beyond 2031 and even to pause the application of the Directive. Such proposals weaken incentives for decarbonisation, penalise early movers in emissions reductions and will limit the EU’s ability to meet 2030, 2040 and 2050 climate targets.

Where we need to be

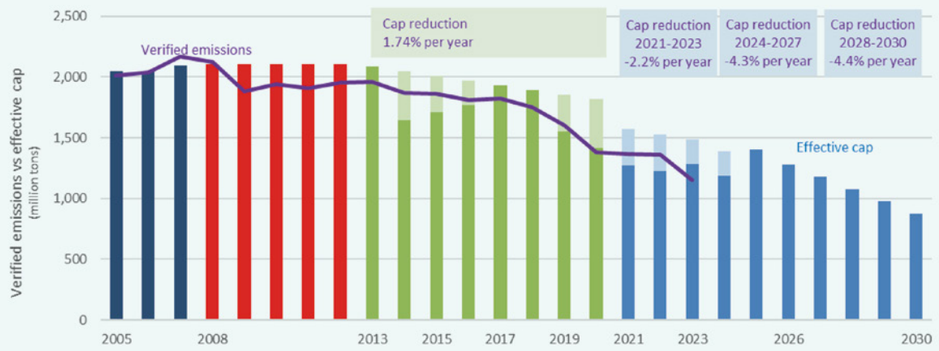
In the 2026 review of the ETS Directive, the European Commission and co-legislators should maintain the planned phaseout of free allowances, the wind-down of the MSR and strongly resist calls to pause its application.

The result

A well understood and predictable framework which attracts investment and drives further decarbonisation.

Figure 12

Delivery of ETS on verified emissions reductions over time [38]



37 EU Emissions Trading System has reduced emissions in the sectors covered by 50% since 2005, (2025), European Commission.
38 2024 State of the EU ETS Report, (2024), ERCST.

4.1.2 Integrate carbon removals into the ETS

Where we are
The Intergovernmental Panel on Climate Change (IPCC) is clear that carbon removals will be a prerequisite for a net zero economy[39]. However, the ETS Directive precludes the use of carbon dioxide removal (CDR) technologies (e.g. DACCS and BECCS) for compliance purposes. This poses challenges both from a climate mitigation and technological development perspective.

Where we need to be
Include CDR technologies in the amended ETS Directive in 2027, post the 2026 review.

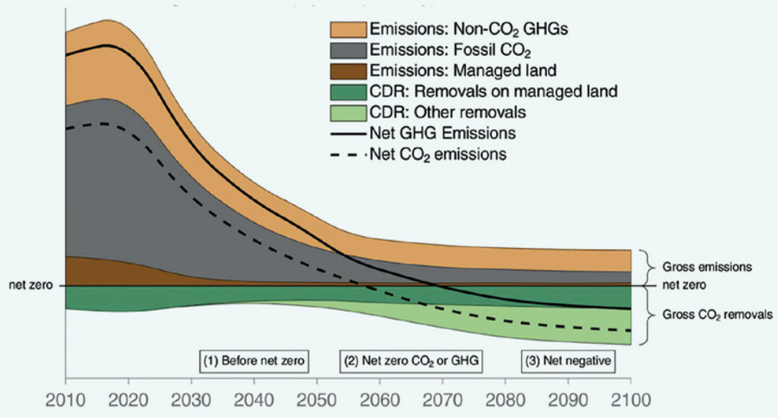
The result
The EU will able to deliver greater emissions reductions, provide flexibility to businesses seeking to decarbonise and spur investment into clean technology providers.

4.1.3 A stable and clear CBAM framework for electricity imports

Where we are
The Regulation on a Cross-Border Adjustment Mechanism (CBAM) imposes a carbon contribution as of 1 January 2026 to electricity imports into the EU, in order to put them on a level playing field with EU electricity producers.

Figure 13

The path to a net zero economy requires carbon removals [40]



39 FAQ 3.1, (2002), Intergovernmental Panel on Climate Change
40 Sixth Assessment Report, Climate Change 2022: Mitigation of Climate Change, (2022), Intergovernmental Panel on Climate Change

While the European Commission adopted a series of last-minute amendments in December 2025, the whole set of implementation rules and guidance is yet to be finalised. In parallel, a review of the Regulation is also ongoing.

Where we need to be
Adopt all implementing rules for CBAM by 2026 at the latest. Provide comprehensive guidance for customs authorities and market participants, including for electricity transits. Speed up the review of CBAM regulation and emission factor calculation for adoption by early 2027

The result
The removal of the distortions and disincentives to export power into the EU which have been seen in recent months, while better meeting the objectives of the CBAM regulation. Ongoing support for decarbonisation in the EU's neighbours.

4.1.4 Progress with the expansion of the ETS to heating and transport

Where we are
The EU ETS II is designed to support Member States in meeting their 2030 Effort Sharing Regulation obligations and 2040 climate targets. However, EU institutions have recently agreed a one-year delay to the application to the legislation. Short-term, this will reduce the incentive for immediate heat and transport sector decarbonisation, while medium-term, this will damage investor confidence and hamper the EU in meeting its 2030 and 2040 Climate Law objectives.

Where we need to be
The European Commission and co-legislators should ensure there are no further delays to ETS II and that it applies from 2028.

The result
Immediate incentives for investments in cost effective decarbonisation options, such as building renovations and low-emissions mobility.

4.1.5 Link the EU ETS with the UK ETS

Where we are

The EU and UK operate near-identical cap-and-trade emissions systems. As these schemes operate independently, they increase compliance costs for businesses, lead to unnecessary price volatility in each market and increase the overall emissions abatement costs for heavy industries.

Where we need to be

The EU and UK should conclude an agreement on linking ETS regimes in 2026, with linked regimes becoming operational from 2027.

The result

A larger and more stable system and the removal of transaction costs of up to 770m by 2030 [41].

41 The shared benefits of linking EU and UK carbon market, (2025), Frontier Economics

4.1.6 Align the ETS with the Energy Community contracting parties and avoid CBAM costs

Where we are

This report has already covered the Energy Community contracting parties preparations to join Europe's electricity market. However, imports to the EU from the Energy Community are now subject to CBAM. For electricity imports alone, EU importers would have been eligible for over €1 billion of CBAM costs in 2024. An option remains open to Energy Community contracting parties to waive CBAM if they implement ETS-aligned carbon pricing when they join the EU's electricity market coupling.

Where we need to be

Energy Community contracting parties should establish ETS-aligned carbon pricing regimes by the end of 2028, to ensure electricity imports from the Energy Community into the EU are excluded from CBAM once they join the EU's electricity market coupling.

The result

Lower cross-border power prices for EU Member States importing for Energy Community countries and stronger investment signals for low-carbon and renewable generation assets in Energy Community countries.

Figure 14

Estimated CBAM-related costs faced by EU importers for electricity imports from Contracting Parties (excluding Ukraine), by Member State, 2024 [42]

EU Member State bordering Contracting Party(ies)	Import + Transit Contracting Party - > EU (MWh)	Average annual marginal CBAM price per MWh (EUR/MWh)	Total annual CBAM cost for EU importers (EUR)
Bulgaria	3,458,813	64.48	223,022,476
Greece	3,212,139	35.05	112,578,074
Croatia	3,415,589	70.81	241,874,429
Hungary	3,183,581	65.58	208,768,571
Italy	3,042,090	62.45	189,982,787
Romania	2,918,839	65.47	191,105,594
Total			**1,167,331,931**

42 CBAM Guidance Document (v0.9), (2025), Energy Community Secretariat.

4.2 Markets and policies to deliver cost-effective decarbonisation

Decarbonisation is fundamentally changing how Europe's energy system operates, increasing the need for flexibility, real-time responsiveness and efficient risk management. However, existing market rules were largely designed for a more, centralised system and are not always fit for purpose as renewable generation, distributed resources and cross-border trade expand. This section sets out how targeted market design reforms can ensure electricity and gas markets continue to function efficiently in a decarbonised system.

4.2.1 Shorten the intraday gate closure time for cross-border transactions in electricity

Where we are

In electricity, intraday markets are critical for managing short term changes and uncertainty, such as fluctuations in wind output. As renewable generation expands markets must operate closer to real time to best reflect actual conditions and weather forecasts. The 2024 Electricity Regulation mandates that from 1 January 2026, intraday cross-zonal gate closure time is no more than 30 minutes ahead of delivery. However, only half of Europe's TSOs have met this deadline, the others having often been granted the maximum three-year derogation by their NRA.

Where we need to be

By mid-2026, all TSOs with a derogation to the 30-minute cross-zonal gate closure time in intraday should publish a clear action plan to speed up the transition. By the end of 2027, in line with the Electricity Regulation, the Commission should publish a proposal to shorten the gate closure time to 5 minutes.

The result

A more responsive and efficient system which is better suited to high shares of variable generation.

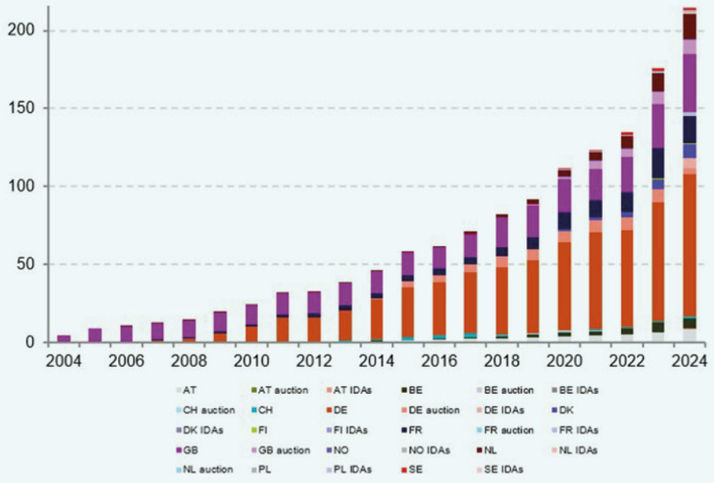
4.2.2 Harmonise the design of Contracts for Difference

Where we are

Electricity production in the EU is now dominated by renewables and nuclear (see figure 16). Under the revised Electricity Regulation, two-way Contracts for Difference (CfD) became mandatory for offering direct price support to renewable and nuclear generators. CfDs can lower the cost of capital and complement traded markets and PPAs, but, at present, CfD schemes across the EU are being developed almost exclusively at national level, with little consideration for cross-border impacts. This serves to crowd-out private investments, insulate supported generators from responding to scarcity signals and dispatch decisions, and increase power prices for end-users.

Figure 15

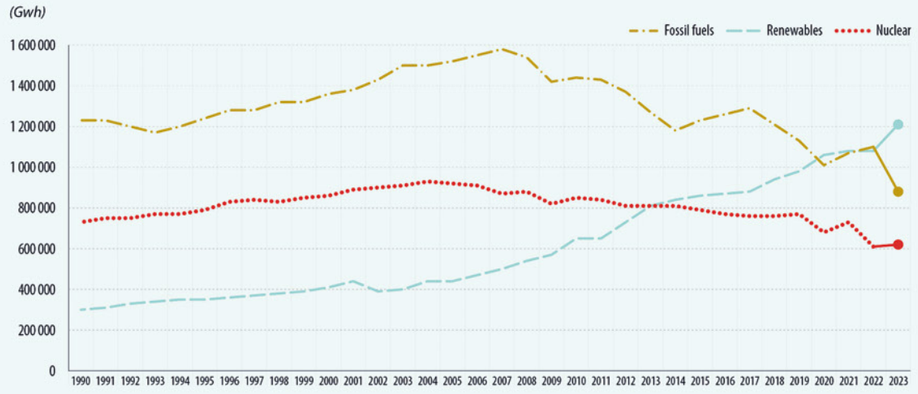
Traded volumes of the Intraday markets from 2000-2024 [43]



The markets are interconnected via Single Intraday Coupling (except for CH and GB)

Figure 16

Electricity production in the EU, 1990-2023 [44]



43 Power trading on EPEX SPOT reaches all-time high, (2025), EPEX SPOT.

44 Renewables take the lead in power generation in 2023, (2024), Eurostat.

Where we need to be
Following the publication of its guidance on CfDs in December 2025, the European Commission should use its full powers to further harmonise the design of CfDs. All new CfD schemes should be fully aligned with the Commission guidance by mid-2027, should mandate bidding into electricity markets, and should suspend support in the event of negative prices.

The result
Predictable investment signals for new generators, a level-playing field across the EU, lower redispatch costs and lower congestion charges at borders, all of which will ensure more competitive power prices for consumers.

4.2.3 Transition towards EU-wide support schemes for biomethane

Where we are
Biomethane is a renewable gas which could play a greater role in Europe's energy system. One of the reasons for the very low volumes of cross-border trade in Europe is the design of national support schemes. National schemes often seek to either restrict exports or require obligations to be met with domestic production. The result is complex rules, limited trade and higher costs.

Where we need to be
By the end of 2026, through the revision of the Renewable Energy Directive (RED), Member States should be required to ensure that their national schemes and related targets, do not constitute a barrier to cross-border trade. By 2028, we should see the first regional support mechanisms.

The result
A quicker development of a biomethane market and lower overall costs of decarbonisation.

4.2.4 Align and simplify biomethane certification schemes

Where we are
European rules on certifying the sustainability of biomethane have been agreed under RED III. However, they are implemented inconsistently across Member States. This results in fragmented, national markets where cross-border trade is not possible. The process of establishing a UDB, which could help in addressing this problem, has seen repeated delays.

Where we need to be
By the end of 2026, Member States supported by the European Commission need to implement the requirements of RED. We need to be in a position where the sustainability credentials of biomethane can be demonstrated on a standardised certificate which is recognised across the continent.

The result
A greater chance of Europe becoming a key player in biomethane, greater trust for consumers and, ultimately, a reduction in the cost of decarbonisation.

4.2.5 Update the green hydrogen delegated act

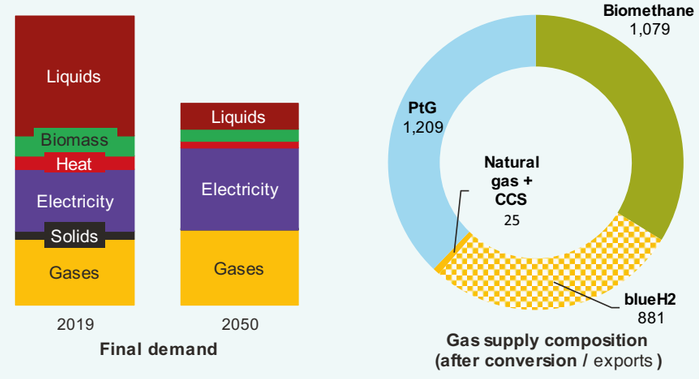
Where we are
In the two years since the adoption of the Delegated Act for Renewable Fuels of Non-Biological Origin (RFNBO)[45], the European Commission has allocated €20 billion to green hydrogen investments, and yet, prices remain four times higher than conventional hydrogen using fossil gas. The EU has set itself a target of 10 million tonnes of renewable hydrogen production by 2030, and by 2050, modelling indicates renewable hydrogen needs to reach approximately 30% of the EU's gas market. However, restrictive rules under the RFNBO Delegated Act mean that green hydrogen costs will remain prohibitively high for potential off-takers.

Where we need to be
Through the 2026 revision of RED, the European Commission should propose a relaxation of the rules pertaining to RFNBO production.

The result
Lower costs for potential off-takers, a kick start to Europe's nascent hydrogen sector and a new revenue stream for renewables developers.

Figure 17

Optimal gas supply mix in final energy demand (EU27 2050, Baseline high renewable gases, TWh) [46]



Source: Frontier Economics

45 Commission Delegated Regulation (EU) 2023/1184 of 10 February 2023 supplementing Directive (EU) 2018/2001 by establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin, (2023), European Commission.
46 Ensuring resilience in the European energy transition: Strategic use of gases to meet EU climate ambitions, (2024), Frontier Economics (commissioned by Eurogas).

4.2.6 Ensure all barriers to the uptake of PPAs are removed

Where we are

Power Purchase Agreements (PPA) are an increasingly important tool for renewable investments and long-term price hedging. However, their uptake remains uneven across the EU due to national regulatory and administrative barriers that create complexity and uncertainty for potential offtakers.

Where we need to be

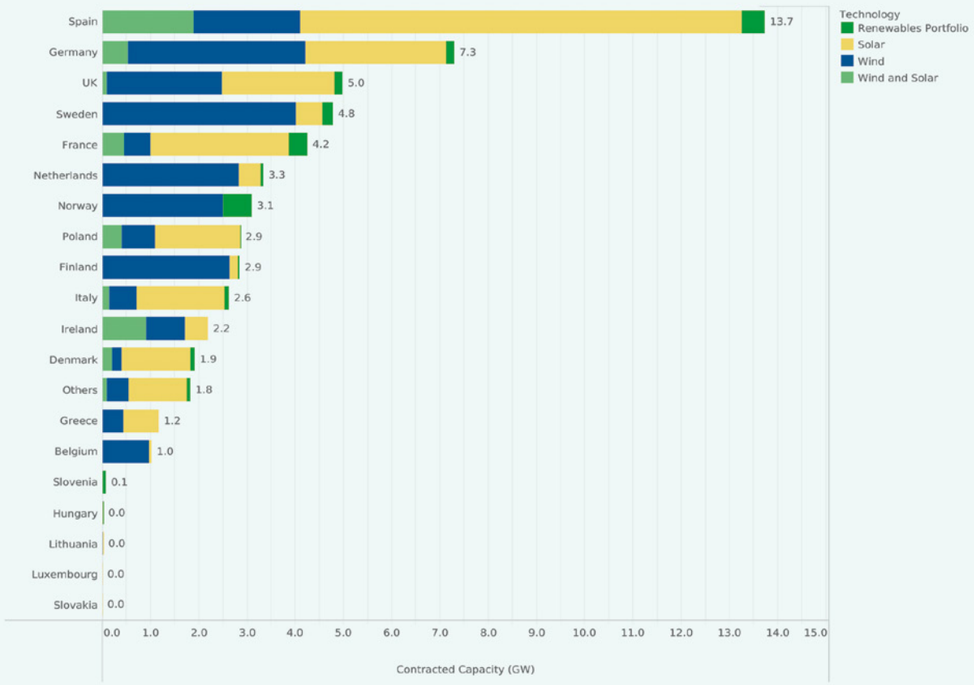
In early Q1 2026, the European Commission should complete its first biannual assessment of barriers and transparency in PPA markets. Crucially, this exercise should be extended beyond energy-specific rules to ensure that EU financial market rules do not inadvertently stifle energy goals.

The result

The EU would unlock additional private capital for renewables and provide more predictable costs for large energy users.

Figure 18

Breakdown of PPAs in GW across Europe by country [47]



47 PPA Deal Tracker (data and insights on power purchase agreements), (2026), Resource-Platform

Simplifying and future proofing the Internal Energy Market

5

5 Simplifying and future proofing the Internal Energy Market

> “Europe must remove unnecessary bureaucracy. We need a regulatory framework that is simple, predictable and fit for the digital age.”
>
> - Ursula von der Leyen, European Commission President

We’ve explained throughout this report how the volume of national and European rules which exist today combine to create barriers to trade and avoidable inefficiencies. We’ve also repeatedly mentioned the need to look ahead and to anticipate the challenges which Europe’s energy markets will face in future. This chapter focuses on three ways of future proofing the Internal Energy Market – promoting competition by facilitating market access; ensuring that there is a culture of transparency and; ensuring that supervisory frameworks are efficient and effective.

5.1 Simplify market access

At a time when Europe is considering how to make its market rules easier to understand and to boost competitiveness, it is worth remembering, integration is simplification. If you have a single set of pan-European rules, you simply do not need 27 sets of different national rules. Adopting this ethos is crucial to making it easier to do business in Europe.

5.1.1 Make it easier to understand the patchwork of national and European rules

Where we are

Entering a market in Europe is a complex process. Someone must understand the connection rules, licensing requirements, tariff structures, grid codes, network codes, support mechanism designs and timings and market rules at national and European level. There are literally 100s of rules to be aware of and no simple way of understanding them. Unfortunately, this often makes investment in less complex locations look relatively more attractive.

Where we need to be

By the end of 2026, the European Commission should create a digital tool to allow a new entrant to understand the rules they will face more easily (and enable a more informed debate about how to streamline those rules).

The result

Better informed decisions about where to invest, creating a more efficient system in the longer term and a greater willingness to invest in Europe.

5.1.2 A plug and play approach to licensing across Europe

Where we are

Participating in European energy markets is complicated. Companies need to seek approvals from multiple authorities or regulators to secure trading and supply licenses, storage permits and other requirements. This is a major barrier to entry and limits the development of market liquidity.

Where we need to be

European regulatory authorities should immediately agree the principle and by the end of 2027 establish a framework in which companies registering or already being registered in any EU country are automatically entitled to operate anywhere in Europe without the need to register or seek licenses from NRAs.

The result

A slashing of red tape, increased competition and liquidity and a much simpler place to do business – for existing and future companies.

5.2 Enhanced transparency and operational efficiency

Transparency of data is fundamental to a well-functioning energy market because it underpins trust, competition, and efficient system operation. Simple access to data benefits everyone – informing better decision making, enabling more effective oversight and facilitating challenge and peer review.

5.2.1 Make transparency requirements fit for an evolving energy system

Where we are

Europe's transparency requirements, anchored in the Electricity Transparency Regulation, are over a decade old – and reflect a completely different energy system to the one we have today and the one we will need tomorrow.

Where we need to be

By the end of 2027, the European Commission should consult market participants and update the transparency guidelines. More detailed grid data (transmission and distribution), information on decentralised generation and new types of technologies such as batteries, should be at the heart of the revision.

The result

An important and up to date resource which can boost innovation and efficiency; enable easier scrutiny and better surveillance of the market; and grow trust and confidence in the energy transition.

5.2.2 Streamline regulatory reporting processes

Where we are

Market participants currently navigate a patchwork of reporting requirements under REMIT II, MiFID II, MiFIR, and EMIR 3. This setup requires the same or similar data to be delivered through multiple channels in different formats to different regulators. In addition, the lack of a consolidated market view prevents regulators from conducting effective market oversight and leaves policy-makers without the evidence base needed for informed decision-making.

Where we need to be

By the end of 2028, there should be a European Commission proposal on how reporting requirements should be streamlined to follow the "report once" principle. This should also mean that only one of the two parties to any transaction should need to report. Once the data is submitted, the EU should use existing reporting channels to ensure that the data is efficiently shared between authorities.

The result

Reduced compliance costs for market participants, while providing regulators with higher-quality data for oversight purposes. Better cooperation between regulators leading to a more efficient and effective system.

5.2.3 Introduce close-out netting protections for corporates and all products

Where we are
In neighbouring countries, such as the UK and Switzerland, close-out netting is enforceable for corporates across products, allowing exposures to be netted in insolvency, thereby making non-EU corporates safer and more attractive counterparties. In the EU, there is no uniform approach – enforceability for corporates and the scope of products covered depend on national insolvency law and vary widely between Member States. Lack of recognised close-out netting raises collateral costs and weakens EU competitiveness.

Where we need to be
By the end of 2027, the EU Directive harmonising certain aspects of insolvency law needs to be implemented consistently across Member States – with limited national discretion and close EU-level monitoring, to ensure that close-out netting arrangements are enforceable in insolvency for corporates across all products.

The result
Safer energy procurement, greater levels of cross-border trading and a greater ability for EU energy companies to compete on an equal footing with non-EU players.

5.2.4 Shorten settlement cycles for energy trades

Where we are
In European gas and power markets, settlement typically occurs several weeks after trade has taken place (often around the 20th day of the following month). These extended settlement periods tie up significant amounts of working capital, increase counterparty credit exposure, raise operational risk and, as a result, reduce participation in over-the-counter (OTC) markets [48].

Where we need to be
Market participants should without delay begin implementing electronic Settlement Matching (eSM) and we encourage them to work with Energy Traders Europe to unlock the benefits of faster settlement.

The result
Capital could be freed up to allow greater volumes of trading and investment, strengthening liquidity and lowering the overall cost of the energy transition.

5.3 Integrated and consistent oversight frameworks

The rapid evolution of Europe's energy markets requires a supervisory framework that is robust and efficient. Currently, market oversight is split across several authorities and legislative regimes, often resulting in duplicative reporting, and regulatory silos. To maintain the highest standards of market integrity, we recommend a clearer split of responsibilities and deeper cooperation between regulators. The following recommendations outline a path toward a clearer split of responsibilities and a deeper cooperation between regulators.

5.3.1 Establish a clear split between regulatory responsibilities

Where we are
Oversight of energy derivatives is fragmented. Since REMIT II, wholesale energy products that are also financial instruments are subject to the dual oversight of both the energy regulators (ACER and NRAs) and financial authorities (European Securities and Markets Authority (ESMA) and 'National Competent Authorities).' This lack of a clear boundary between responsibilities may lead to inconsistent supervisory approaches.

Where we need to be
By 2028, the EU should clarify that wholesale energy products that are financial instruments are exclusively the responsibility of financial regulators, whereas wholesale energy products that are not financial instruments are the exclusive responsibility of energy regulators. This split should then be bridged by a mutual support mandate: ACER technically supporting ESMA's oversight of financial markets with energy expertise and ESMA supporting ACER's oversight of physical markets with financial insight.

The result
A logical and consistent supervisory framework that eliminates jurisdictional overlaps. This ensures that every product and participant is supervised by the authority with the most relevant expertise.

48 eSM - a step to enhancing market liquidity in OTC energy markets and reducing counterparty credit risk, (2022), PwC and EFET,

5.3.2 Foster deeper cooperation between Regulatory Authorities

Where we are

Currently, cooperation between ACER and ESMA relies on a high-level Memorandum of Understanding (MoU) and ad-hoc exchanges. There is no permanent, integrated structure to manage joint technical challenges. This lack of a formal, operational "home" for collaboration makes it difficult to align on complex issues, such as market disruptions, or joint impact assessments, where both financial and energy expertise are critical.

Where we need to be

By 2027, the EU should establish a Platform for Cooperation that brings together ESMA and ACER, and NCAs and NRAs where needed. Its mandate should include establishing a shared knowledge base to stay ahead of market developments across both sectors.

The result

A streamlined, expert-led platform that enables rapid, coordinated action during market stress without creating new bureaucracy. By pooling regulatory and institutional expertise, the centre will ensure that market oversight is both agile and technically sound, providing a more stable and predictable environment for energy trading across the EU.

The culture of a truly European energy market

6

6 The culture of a truly European energy market

> “Does Europe have the stomach for this fight?
> Do we have the unity and the sense of urgency?
> The political will and the political skill to compromise?
> Or do we want to just fight between ourselves?
> To be paralysed by our divisions.[49]”
>
> - Ursula von der Leyen, European Commission President

This report has so far set out both why and what Europe must integrate. It has shown that completing the Internal Energy Market is not an abstract, technical exercise. Rather, it is one of Europe’s defining political projects and the vehicle to drive competitiveness, meet climate targets and reduce prices for consumers.

The final question of this report is, therefore, how a fully integrated Internal Energy Market can be delivered. Doing so requires more than legislation; it requires a culture fit for a truly European market.

Completing the Internal Energy Market will not happen by accident; it is ultimately a question of will, leadership, governance and execution. As highlighted by outgoing ACER Director Christian Zinglersen, “it starts and ends with political will: Commitment to structurally integrate energy markets; a commitment that is anchored institutionally[50]”.

49 2025 State of the Union Address by President von der Leyen, (2025), Ursula von der Leyen.
50 ACER Annual Market Monitoring Report presentation to ITRE, (2024), European Union Agency for the Cooperation of Energy Regulators.

Completing the Internal Energy Market by 2028 requires a European culture, resting on three simple building blocks:

Clarity – of vision, direction and logic

A) Vision: At its most simple, the only way to unlock the benefits of a Europe-wide energy market, is for all parties to agree that this is a political goal worth striving for. This vision must be aligned within and across European Commission institutions; among all Member States and Parliamentary groups; and by all actors downstream of policy decisions. If this is the case, a virtuous cycle can emerge – with a golden thread flowing from European Commission proposal to co-legislator adoption; and from Member States implementation to NRA application. This would allow investors to mobilise capital more quickly and build momentum towards a complete Internal Energy Market. Getting to this point requires decisive action – to quote the Jacques Delors Institute: “the fragmentation of the European energy market persists, and the pursuit of the integration process appears more risky than ever[51].”

B) Direction: Vision and leadership build confidence. However, that vision needs to be underpinned by a clear sense of direction and a shared commitment to work over a long period to reach that goal. The initial integration of the European energy market was grounded in a Target Model, developed collaboratively and delivered collectively by stakeholders. Perhaps it is time for Target Model 2.0.

C) Logic: All parties must remember the economic logic we’re working towards. Integrated markets can reduce cost for consumers, lower bills for governments and drive returns for investors in the energy transition. They are a proven way of improving competitiveness and a direct enabler of our decarbonisation goals. When inevitably difficult decisions arise, those responsible must remember the ‘why’ of integration.

51 Energy, much more than a market, (2025), Institut Jacques Delors (blog post/commentary on Enrico Letta report)

Consistency - stewardship, action and policymaking

A) Stewardship: This report has outlined why the Internal Energy Market is one of Europe's most remarkable political and technical achievements. It is therefore incumbent on those responsible for its integrity to protect and promote its virtues. This means a European market that is actively steered by the European Commission and ACER. There must be a willingness to act where rules aren't implemented or followed; there must be a willingness to provide views where a national policy will have adverse impacts; and there must be a concerted effort to help customers understand the benefits that market integration delivers.

B) Action: Actions do speak louder than words and, as we write, large numbers of agreed rules are not implemented in large parts of Europe. And there often seems to be no consequence when this happens. There can be no confidence in a European energy market if consistent implementation and enforcement are not the foundations on which the market is built.

C) Policy making: Over the past 20 years Europe's energy system has become much more interwoven - across geographies, between fuels and between pressures and voltages. We can no longer think of gas, electricity or hydrogen as distinct sectors, we can't think about transmission and distribution as different functions and we can't think of national borders as the limit of where national decisions have an impact. System-wide thinking must become a greater feature of policy making.

Collaboration – Between Member States and with market participants

A) Between Member States: There must be greater recognition that national choices have regional or pan-European consequences. Intervention in one country's gas markets can have consequences for another country's electricity markets. The Energy Crisis saw 438 separate policy measures[52] implemented across Europe. Tackling Europe-wide challenges can only be done effectively at European level and increasingly, tackling local issues can only be done with the help of our neighbours.

B) With market participants: A market which is so complex and so capital intensive, demands collaboration with the people whose capital is at risk. These market participants bring real-world insights into how rules function under different conditions, how risks are managed and how investment decisions are made. They will in turn help the authorities ensure that their vision is being consistently implemented, and support remedial action where required.

Seizing the opportunities

In his landmark report *'Much more than a market'*, Enrico Letta warned that momentum towards deeper integration of Europe's energy market cannot be taken for granted, and the risk of regression remains real.

However, this report demonstrates several clear conclusions:

- The progressive integration of the European energy market is a huge achievement which has benefitted customers across Europe.
- Options exist to unlock even greater savings in a relatively short space of time – be they security of supply, decarbonisation, competitiveness or affordability.
- There is no single solution or silver bullet and it will take concerted effort in many areas to unlock further benefits.

52 Energy, much more than a market, (2025), Institut Jacques Delors (blog post/commentary on Enrico Letta report)

What this final chapter highlights is that culture and leadership will perhaps be the biggest determinants of success

- Creating an integrated energy market requires a clear, enduring political commitment coupled with a willingness to work, and act, together in the face of inevitable complexity and trade-offs.
- It requires consistent political leadership, strong stewardship to protect the progress made to-date and a recognition across the EU that the effects of national policies reverberate far beyond the country in which they are implemented.
- And above all else, it requires collaboration between those designing the market, and those operating within it.

As set out in our opening Chapter, Integrate by 28 is based on a simple premise: Europe already has most of the legal, institutional and market foundations required to create a truly integrated Energy Market.

Following a discussion with European leaders in early February 2026, Enrico Letta said: "What we need now is a clear path to complete the Single Market with quick wins and concrete deliverables already in 2026-27-28." This report is Energy Traders Europe's proposal for that roadmap. The benefits of following the recommendations in this report will be significant – strengthening security of supply, reducing dependence and the impact of global shocks on our companies and customers, supporting Europe's industrial competitiveness and safeguarding its social model, while enabling the energy transition to proceed at least cost.

The opportunity exists to turn "one of Europe's greatest and most underutilised assets" into its greatest tool to meet energy, industrial, climate and social objectives. One Europe, One energy market.

Energy Traders Europe stands ready to play our part.

Integrate by '28
Actions tracker

Actions tracker

2 Driving competitiveness through an integrated, efficient energy system

gas power carbon simplification

Policy recommendation	2026	2027	2028
Unlocking the full capacity of the EU's Grids			
Enforce the 70% minimum cross-zonal capacity requirement	power		
Focus congestion income where it adds most value		power	
Ensure the existing gas network is used efficiently	gas		
Create robust and fair rules to share the burden of network congestions		power	
Improve the usage of gas network capacity in the CSEE region	gas		
Align the design of electricity network tariffs			power
Strengthen the Gas Tariff Network Code to enhance stability and facilitate trade			gas
Improve risk management by auctioning multi-year forward transmission rights			power
Make network connection more transparent, flexible and creative			power
Incentivising greater flexibility and demand-side participation			
Adopt and implement the electricity Demand Response Network Code and enhance coordination and data sharing between TSO and DSOs	power		
Complete the integration of EU balancing platforms (PICASSO, MARI)		power	
Reintroduce flexibility in gas storage filling		gas	
Ensure local markets are part of an integrated Europe wide market design		power	
Reflect the true value of scarcity in electricity imbalance prices			power

3 Securing the energy we need

gas power carbon simplification

Policy recommendation	2026	2027	2028
Attracting supplies in a global market			
Issue clear guidance to make the authorisation processes for non-Russian gas as robust as possible	gas		
Amend the Methane Regulation to access global LNG supply	gas		
Supplement the Russian gas phase out with a ban on Russian entities holding LNG terminal capacity	gas		
Making best use of Europe's resources			
Integrate capacity remuneration mechanisms across borders			power
Agree a target model for European biomethane trading	gas		
Allow renewable gas imports to contribute to the EU biomethane target	gas		
Ensure our market design can unlock offshore wind in the Northern Seas			power
Expanding the Internal Energy Market			
Restore efficient EU–UK electricity trading arrangements	power		
Prioritise the integration of Ukraine into EU electricity and gas markets	power gas		
Integrate the Energy Community contracting parties into EU electricity markets			power
Implement the EU-Switzerland Electricity Agreement			power

4 Reaching carbon neutrality at least cost

gas power carbon simplification

Policy recommendation	2026	2027	2028
Strengthening the ETS			
Ensure the ETS remains the primary driver of decarbonisation	●		
Integrate carbon removals into the ETS		●	
A stable and clear CBAM framework for electricity imports	●		
Progress with the expansion of the ETS to heating and transport		●	
Link the EU ETS with the UK ETS		●	
Align the ETS with the Energy Community contracting parties and avoid CBAM costs			●
Markets and policies to deliver cost-effective decarbonisation			
Shorten the intraday gate closure time for cross-border transactions in electricity		●	
Harmonise the design of Contracts for Difference		●	
Transition towards EU-wide support schemes for biomethane			●
Align and simplify biomethane certification schemes	●		
Update the green hydrogen delegated act	●		
Ensure all barriers to the uptake of PPAs are removed	●		

5 Simplifying and future proofing the Internal Energy Market

gas power carbon simplification

Policy recommendation	2026	2027	2028
Simplify market access			
Make it easier to understand the patchwork of national and European rules	●		
A plug and play approach to licensing across Europe		●	
Enhanced transparency and operational efficiency			
Make transparency requirements fit for an evolving energy system		●	
Streamline regulatory reporting processes			●
Introduce close-out netting protections for corporates and all products		●	
Shorten settlement cycles for energy trades			●
Integrated and consistent oversight frameworks			
Establish a clear split between regulatory responsibilities			●
Foster deeper cooperation between Regulatory Authorities		●	

Integrate by '28

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