

“10 key considerations for Network Charges”

IFIEC-Europe position paper on

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

to future-proof electricity bills in the European Union amending Regulation (EU) 2019/943 European Parliament and of the Council (EU) of 5 June 2019 on the internal market for electricity

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Background

The European Federation of Industrial Energy Consumers (IFIEC) welcomes the European Commission’s initiative to review the design of electricity network charges and related elements of the electricity bill. IFIEC appreciates that the proposal responds to persistently high energy costs and recognises the importance of strengthening the competitiveness of European industry, in particular energy-intensive sectors exposed to global competition.

Energy-intensive industries (EIs), including steel, chemicals, cement, paper, glass and non-ferrous metals, are a cornerstone of Europe’s industrial economy. EIs employ around 7.8 million people, encompass approximately 548,000 firms, and generate about €549 billion in value added, equivalent to roughly 4.6% of total EU value added. Beyond their direct economic contribution, these sectors supply the basic materials underpinning virtually all strategic value chains, from automotive and machinery to construction, batteries and clean-energy technologies. Energy-intensive industries alone account for roughly one quarter of manufacturing value added and are indispensable for maintaining Europe’s industrial base, technological sovereignty, export competitiveness and economic resilience during the transition to climate neutrality.

*IFIEC supports the overall objective of ensuring electricity costs that are more affordable, predictable and reflective of efficient system use, while enabling the transition towards a decarbonised and increasingly electrified energy system. At the same time, the reform should be guided by a clear principle: **the global competitiveness of Europe’s energy-intensive industries must be safeguarded.** Network charges and other regulated electricity costs already represent a significant share of total electricity costs for energy-intensive users, and these costs are expected to increase further as Europe undertakes substantial investments in grid modernisation, expansion and digitalisation. Network tariff methodologies should therefore support, not penalise, industrial electrification projects that contribute to decarbonisation and European strategic autonomy.*

*Against this background, IFIEC respectfully submits the following **10-point proposal** for the further development of the legislative framework.*

IFIEC's 10 key asks of the Commission

1. Building a Level Playing field

A well-functioning European single market requires a level playing field, including for electricity-intensive sectors for which electricity costs constitute a decisive factor for investment, production and decarbonisation. The EU has already recognised the need for harmonised treatment of certain market participants, for example through Regulation (EU) No 838/2010 for transmission system operator compensation and producer-related network charges. A comparable policy objective should apply to energy-intensive consumers, where network charges materially affect competitiveness both within the EU and vis-à-vis global competitors. While national tariff structures must be able to reflect legitimate differences in grid topology, system needs and investment requirements, the EU framework should ensure that network charging principles do not undermine industrial competitiveness or discourage electrification. Until a sufficiently harmonised EU approach is established, Member States should retain the ability to introduce proportionate measures that protect competitiveness, support decarbonisation and avoid undue distortions in the internal market. The United Kingdom's Industry Supercharger may serve as an illustrative example of targeted relief for electro-intensive industries, including reductions in network-related costs, designed to preserve industrial competitiveness while maintaining clear policy objectives.

2. Ensuring transparency

European and national grid operators have announced substantial increases in grid investments for the coming years. Such investments are essential to enable electrification, security of supply and the integration of renewable energy, but they will also place increasing pressure on network charges paid by consumers and industry.

IFIEC therefore considers transparency to be indispensable. Grid users, including households and companies, should have a clear and forward-looking understanding of how planned grid investments are expected to affect network charges and electricity bills. IFIEC urges the EU to consider requirements for grid operators and regulators to publish transparent, regularly updated ten-year forecasts of network charges, including the main drivers of expected cost developments.

3. Acknowledging systemic benefits of predictable consumption

Large, stable and predictable electricity consumers have historically imposed relatively lower incremental costs on the grid compared with more volatile consumption patterns. This remains relevant even as grids are increasingly developed to integrate variable renewable generation, often located far from major consumption centres. Cost-

reflective network charges should therefore recognise the contribution of stable industrial baseload consumption to efficient grid utilisation, system predictability and long-term planning.

Furthermore, a core goal of an industrial strategy should be industry working at optimal capacity. Attempting to enforce flexibility through network charges has negative impacts on industrial efficiency. Tariff methodologies should avoid allocating disproportionate costs to such consumers where those costs are primarily driven by other grid users, system needs or new connection requirements.

4. Supporting causal allocation for future grid investment

A significant share of planned grid investments is driven by new demand for grid capacity, including new connections and changes in production and consumption patterns. In line with the principle of cost reflectiveness, all grid users that create the need for new or reinforced grid infrastructure should face an appropriate share of the costs they trigger.

5. Reducing bureaucratic overload and avoiding excessive burden of proof

The draft framework appears to permit differentiated industrial grid fees (art. 18.3) only where a reduction in grid costs can be demonstrated. While IFIEC supports the principle that tariff differentiation should be justified and transparent, the evidentiary requirements must remain proportionate and administratively workable. Excessively complex procedures could prevent effective use of otherwise appropriate measures and create unnecessary uncertainty for both industry and regulators. In particular, demonstrating individual grid cost reductions on a project-by-project or even system-wide basis creates significant administrative burden and regulatory uncertainty. Eligibility criteria should therefore rely on transparent and standardised indicators rather than case-by-case economic assessments, based on the fact that industry also provides system benefits such as predictable loads, demand side response or balancing services. Any alternative would only increase bureaucratic overload.

6. Creating systemic incentive structure

The proposed framework rightly seeks to encourage electrification and flexibility as means to reduce overall system costs. However, the economic incentives currently envisaged may not be sufficient to support the scale and pace of industrial electrification required, especially as electricity prices in Europe are still too high to provide a clear business case for electrification projects.

IFIEC-Europe therefore encourages the Commission to ensure that electricity-based industrial decarbonisation is supported through a coherent policy mix, including competitive electricity costs, predictable network charges and a balanced approach to taxation of electricity and fossil fuels. Crucially, the reform should recognise that maintaining internationally competitive conditions for energy-intensive industries is not only an industrial policy objective, but also a prerequisite for achieving European

decarbonisation and strategic autonomy objectives. Electrification requires a credible business case based on internationally competitive electricity prices and network charges. While the commission clearly aims to reduce system costs through electrification and increased flexibility, the economic incentives currently proposed do not appear sufficient to drive the required investments.

7. Incentivising flexibility

Many electro-intensive industrial processes, especially continuous processes, have only limited short-term flexibility due to their technical characteristics. In such processes, flexibility is not cost-free: it often reduces process efficiency, increases specific electricity consumption and is typically associated with a loss of production capacity. These constraints should be considered when introducing incentives for the reduction of peak load consumption, as proposed by the draft Regulation.

Voluntary demand response, as is today mainly provided by industrial consumers, already brings a lot of benefit to the European energy grid. Forcing additional involuntary flexibility on industrial consumers would raise costs, increase the risk of curtailments or shutdowns, and make further industrial electrification more difficult. Meanwhile, long term flexibility schemes might create an additional incentive for electrification.

Furthermore, in periods of high renewable generation, additional predictable industrial consumption can be explicitly beneficial to the system, for example by reducing curtailment, redispatch needs and price volatility. Industrial demand must not be treated by regulation as a problem by default, as may be suggested by article 18.2 (g) and the new notion of “peak load”. Large, predictable and flexible industrial consumers can be part of the solution, provided that the legal framework enables differentiated network charges without creating practically impossible proof requirements.

Instead, EU policy should reward the stable, predictable load profiles characteristic of industrial consumers, and their ability to maintain high consumption during off-peak periods, absorbing excess supply and supporting grid stability.

8. Facilitating efficient use of cross-border energy infrastructure and investment frameworks

The EU regulatory framework should facilitate cooperation between Member States in developing renewable energy generation and energy infrastructure in locations with the most favourable conditions, such as regions with greater availability of sea access, or renewable resources. Large-scale energy infrastructure increasingly serves the integrated European electricity system. Where investments create substantial cross-border benefits, the regulatory framework should provide mechanisms for fair allocation of costs and benefits among the Member States that benefit from those investments.

Clear arrangements are needed for investment, cost allocation, access rights, and the sharing of benefits between participating countries, ensuring that infrastructure and

generation projects can be developed where they are most efficient for Europe as a whole.

9. Funding the Energy Transition

The growing share of network charges in electricity bills reflects investment needs that are largely driven by public policy objectives, including decarbonisation, renewable integration, strategic autonomy and electrification. These investments create societal and economy-wide benefits that extend beyond the users currently connected to the network. IFIEC therefore considers it inappropriate to recover the full cost of the energy transition exclusively through network tariffs paid by electricity consumers.

Member States should retain the possibility to finance part of these transition-related infrastructure costs through general taxation, dedicated public funds or other public financing mechanisms, where this contributes to affordability, competitiveness and faster electrification.

The regulation should explicitly recognise that alternative funding mechanisms may be necessary to avoid excessive increases in electricity network charges for industrial consumers exposed to international competition.

10. Allowing parallel initiatives

Certain Member States are already pursuing advanced reforms of national grid tariff systems. A parallel EU initiative should therefore be designed in a manner that preserves legal certainty and avoids undermining investment decisions or regulatory compromises already reached at national level. The EU framework should set clear principles while allowing sufficient flexibility for Member States to address country-specific circumstances, provided that such measures remain consistent with the internal market and State aid rules. Retroactive changes to nationally approved tariff frameworks would undermine investor confidence and delay electrification projects.