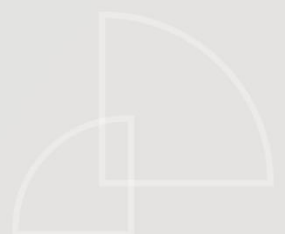




ENERGY STORAGE COALITION CALLS FOR MORE TARGETED SUPPORT FOR ENERGY STORAGE IN KEY EU LEGISLATION



Energy Storage Coalition calls for more targeted support for energy storage in key EU legislation

Europe is facing a twofold challenge: the need to ensure energy resilience and uphold its decarbonisation targets. To ensure both, the solution is a power system based on renewable energy coupled with energy storage and electrification of sectors that are currently powered by mostly natural gas and other fossil fuels. To achieve the EU's Fit for 55 and REPowerEU objectives, energy storage must be deployed at a high speed and large scale to achieve the forecasted demand of 200 GW by 2030, twice the current capacity.

The Energy Storage Coalition, an organisation constituted of SolarPower Europe, The European Association for the Storage of Energy, WindEurope, and Breakthrough Energy, welcomes the European Commission's [Electricity Market Design \(EMD\) reform proposal](#).

Provisions that will help energy storage deployment

We believe that many of the provisions foreseen in the EMD reform proposal could accelerate the deployment of more renewables coupled with energy storage in the energy system, help reduce electricity prices, and substitute fossil-based generation while maintaining security of supply.

- We are happy to see the **recognition of the need to attract investments for energy storage in the EMD proposal**. The EMD proposal to further **incentivise flexibility investments**, through capacity market redesign and voluntary support schemes, is necessary to open the Member States' toolbox of measures to accelerate storage deployment. We welcome the preservation of the market principles, in particular the limitation of two-way Contracts for Difference (CfD) to new generation under direct price support and the flexibility of the CfD design. It strikes the right balance between de-risking the investment through public support (needed to provide a baseline revenue for new capacity when a market failure arises) and preserving exposure to price signals, where the price volatility allows storage facilities to optimise their business case.
- We also welcome the adoption of the **TOTEX approach to optimising the grid and procuring flexibility services**, including energy storage. Currently, system operators only consider CAPEX, which penalises solutions such as smart grids and energy storage due to higher upfront investment costs. However, adopting TOTEX (including both CAPEX and OPEX considerations) would allow for a holistic assessment and adoption of the most cost-effective solutions to grid congestion and modernisation.

In addition to the proposal for reforming the EMD, it is especially positive that the European Commission echoed increasing commitment to support energy system flexibility and the need

for more energy storage deployment in the [Staff Working Document on Energy Storage](#) and the [Commission Recommendation on Energy Storage](#).

- The **European Commission Recommendation on Energy Storage** goes in the right direction by encouraging Member States to tailor the regulatory frameworks to energy storage, e.g. by addressing double taxation, discriminatory network charges/tariff schemes, and lengthy permitting procedures. It also suggests strengthening system planning and assessing flexibility needs, e.g. for the National Energy and Climate Plans. Energy storage uptake is promoted by discussing further remuneration of services, new capacity markets, and support schemes. Finally, it encourages research and innovation, accelerator programmes and de-risking support, as well as publishing data on network congestion, curtailment, and other important parameters. System data transparency will make business case evaluation much easier for project developers.

What remains to be addressed?

While the proposed EMD is a good start, certain aspects require improvement.

- **Support schemes for flexibility solutions are not mandatory when the flexibility objective described in Article 19d is not met:** their implementation is left to the discretion of Member States.
 - The creation of flexibility **support schemes must be further encouraged**, especially where the flexibility assessment shows an important need or where national flexibility objectives are not met by market-only mechanisms.
 - It is key to explicitly **ensure that Member States do not prevent access to the spot markets to facilities receiving support schemes**, especially when these are structured as CfDs, in order for them to bring the most benefits to the grid.
- The EU-wide **carbon cap of the Capacity Market remains at 550g of CO₂/kWh, which is not sufficient to exclude the most polluting assets** and target resources towards cleaner capacities. While the EMD does encourage Member States to set their own technical performance standards and carbon caps to exclude fossil fuel-intensive assets, this provision is not mandatory. This approach, while necessary to account for individual Member States contexts, may lead to different Capacity Market carbon caps across Europe, making it difficult for actors to navigate the market.
 - The EU-wide Capacity Market **carbon cap should be progressively lowered** to exclude the most polluting assets and reach net-zero by 2040 at the latest.
 - **Member States should be required to** encourage the participation of non-fossil facilities in Capacity Markets.
- The **EU currently lacks a definition for 24/7 renewable Power Purchase Agreements (PPAs).**

- **A definition of 24/7 renewable PPAs should be introduced**, in parallel with time-stamped Guarantees of Origin, as proposed in the Renewable Energy Directive III draft adopted by the European Parliament. In contrast to the classical “pay-as-produced” PPAs, 24/7 renewable PPAs would mean that the majority of the buyers’ consumption profile is met by real-time clean energy sources, using renewables and energy storage together, for those consumers having the technical and economic capacity.
- **Long-term contracts of 10+ years should be encouraged and, in the case of market failure, certain incentives to off-takers procuring electricity through long-term renewable PPAs should be offered.**
- **Clarification is needed on the newly foreseen peak shaving product**, and how it will apply to energy storage solutions in practice.
 - **Peak shaving products should be accessed not just by behind-the-meter storage, but also colocated and front-of-the-meter.**

With regards to the Commission’s Recommendation for Member States, national strategies for storage are not included in the recommendations.

- The Commission should encourage **Member States to consider developing energy storage strategies** to provide long-term investment signals and attract capital.

Next steps

We are happy to see that an increasing amount of EU’s legislation on clean energy and industry emissions recognises the crucial role of energy storage in achieving the decarbonisation targets and security of supply.

The [Net Zero Industry Act](#) (NZIA), released on Thursday 16 March 2023, includes energy storage as a “Net-Zero Strategic Technology”, effectively recognising it as critical to delivering climate neutrality. However, it is important to ensure that **NZIA’s definition of energy storage is in line with the Clean Energy Package, to avoid excluding important storage technologies**, such as those related to cooling. In addition, it is paramount that an EU-wide **energy storage strategy follows** the NZIA, to provide long-term investment signals and attract capital to Europe.

To accelerate the decarbonisation of both the energy system and industry, we therefore call for the European Commission, Parliament and Council to take into account our proposals for how the Electricity Market Design can be improved to ensure more energy storage deployment.

We remain open to answering any questions and to collaborating to ensure security of supply and decarbonisation of the European energy system.

Energy Storage Coalition

The **Energy Storage Coalition** is an organisation constituted of four key clean energy actors: [SolarPower Europe](#), [The European Association for the Storage of Energy](#), [WindEurope](#), and [Breakthrough Energy](#).

Our aim is to promote the benefits of energy storage and advocate for a more favourable legal, financial and political framework for its deployment.

Discover more at: www.energystoragecoalition.eu

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