Industrial electricity price: Enabling industrial decarbonization based on Contracts for Difference and green Power Purchase Agreements

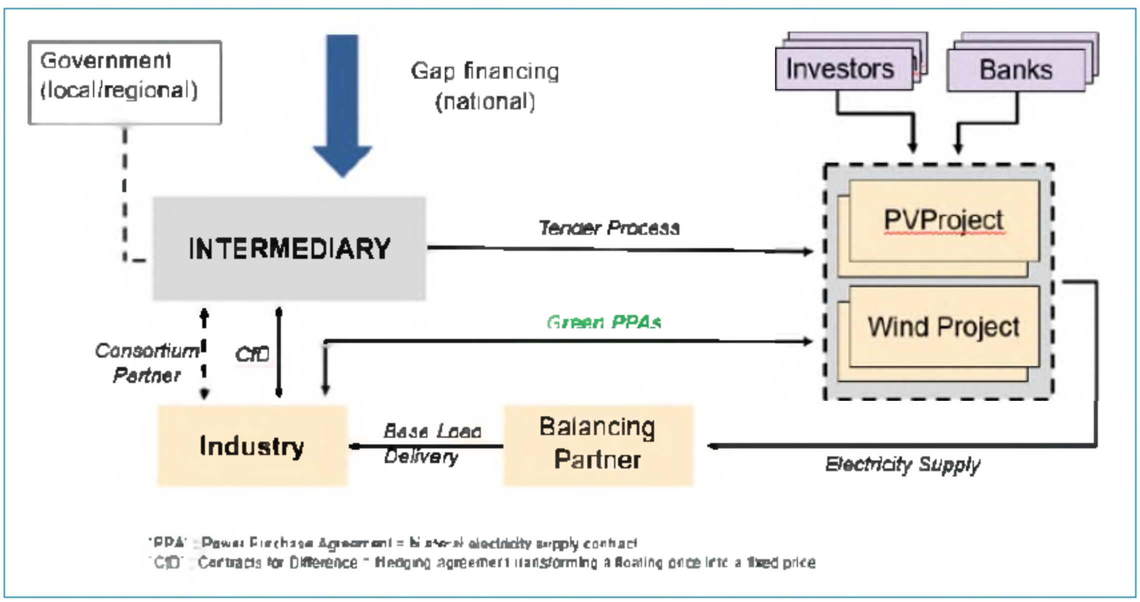
The European Green Deal aims at ensuring a cross-sectoral transition towards climate neutrality by 2050. For energy-intensive industry, this transition will mainly be driven by large-scale electrification, significantly increasing the demand for renewable electricity. However, as long as international partners do not share the same climate ambition as the EU, the additional burden from increased ETS-targets and the persisting differences in worldwide energy costs, will severely hamper companies' ability to pursue decarbonization without compromising their global competitiveness.

A successful decarbonization for industry must therefore be defined under the premise that companies stay globally competitive within European borders. **For that purpose, policy measures must focus on incentivizing a higher rate of electrification for industry by ensuring that considerable volumes of emission-free electricity from renewable sources are available to permanently low electricity prices.**

To achieve this objective, WACKER recommends that current carbon leakage instruments are complemented with national schemes for an **industrial electricity price combined with an obligation to increase shares of renewable electricity**, with the purpose of bridging the economic feasibility gap between decarbonization and global competitiveness. The model is based on two key elements:

1) By establishing **Contracts for Difference** (CfD) with an independent authority, beneficiaries are guaranteed access to renewable electricity at a fixed price. While the mechanisms could be financed on the national level, the strike price would be coupled and adapted on a regular basis to the respective price level developments of global key competitors.
2) By concluding **Power Purchase Agreements** (PPA) with renewable energy producers, the beneficiaries are obligated to increase their share of renewable electricity and decarbonize in a predictable manner, while contributing to a market-based integration of solar and wind energy.

Example: Industrial electricity price model based on CfDs and green PPAs.



In accordance with EU State Aid and **Article 107(3) c TFEU**, such national schemes would have to be considered compatible with the internal market. In the upcoming revision of the EU **Guidelines on State Aid for environmental protection and energy (EEAG)**, the European Commission should therefore:

- Extend the scope and application of the EEAG to include national OPEX measures under the common Union interest of '**industrial decarbonization**'
- Determine specific criteria, under which **industrial pricing models based on CfDs and green PPAs would be compatible with EU State Aid** for the objective of reducing industrial emissions while safeguarding international competitiveness