



October 17, 2018

Dear EU Minister,

Ahead of the upcoming trilogue meeting on the Electricity Market Regulation, the undersigned 31 networks and organizations representing citizens from across Europe, would like to urge you to ensure that capacity mechanisms remain a last resort solution and that they no longer subsidise the burning of fossil fuels, coal in particular.

The recent new IPCC report on global warming of 1.5°C gives evidence that keeping temperature rise to 1.5°C, in line with the Paris Agreement is absolutely necessary in order to avoid the worst impacts of climate change. If the EU wants its policies to be consistent with the long-term objectives of the Paris Agreement, it needs to accelerate the clean energy transition and rapidly phase out coal and other fossil fuels. Allowing to continue funding coal plants with capacity mechanisms would be a clear contradiction of EU climate commitments. We therefore call on you to support proposals ensuring that:

1. Any decision regarding the introduction of capacity mechanisms should be taken as a last resort, and based on evidence provided by a European-wide regional adequacy assessment, which should be

considered as the decisive factor for the Commission's decision whether to approve or extend a capacity mechanism.

The current spread of capacity mechanisms runs counter to the EU's decarbonisation objectives, distorts price and investment signals, favours fossil fuels and nuclear generation to the detriment of the clean energy transition and people's health, interferes with competition, slows down improvements towards a flexible system, and increases costs for all Member States. A recent study revealed that capacity mechanisms are costing European energy customers €58 billion, with the vast majority of this sum going to coal, gas and nuclear power plants¹. Relying on a transparent EU-wide system adequacy assessment for the approval and sizing of capacity mechanisms would contribute to limiting the unnecessary wide spread of capacity subsidies.

2.The carbon intensity criterion of 550gCO₂/kWh must apply immediately to all plants.

Currently capacity mechanisms serve as a lifeline for inefficient, inflexible, unreliable, high polluting and unnecessary coal plants across the EU. Two thirds of all money given through capacity mechanisms ends up funding coal. To fulfil the Paris Agreement, the EU needs to rapidly phase out coal and decarbonise its economy by 2040 the latest. Therefore it is imperative to end subsidies to coal and facilitate its swift and complete phase out, alongside with all other fossil fuels. The carbon intensity criterion of 550gCO₂/kWh must apply immediately for both new and existing plants and without any exceptions.

3.The Electricity Market Regulation provisions on capacity mechanisms must apply immediately to all existing capacity mechanisms.

The Council's General Approach introduces an exception, exempting those capacity mechanisms that are already approved from the new rules. This would unnecessarily exempt existing capacity mechanisms, gravely distort the level playing field and effectively allow some Member States to continue funding some of their most polluting power plants.

We hope that you will show your support to the above ahead of the upcoming trilogue meeting.

Yours Sincerely,

European Networks:

1. Climate Action Network Europe, representing over 150 member organisations across Europe
2. CEE Bankwatch Network, representing 17 member organisations
3. Deutscher Naturschutzring, representing 89 member organisations
4. European Environmental Bureau representing 140 member organisations
5. Friends of the Earth Europe, representing 55 member organisations
6. Health and Environment Alliance (HEAL), representing 75 member organisations
7. International Network for Sustainable Energy – Europe, representing 70 member organisations
8. Klima-Allianz Detuschland, representing 123 member organisations
9. Kolalicja Klimatyczna, representing 24 member organisations
10. NGO Green Home, representing 7 member organisations
11. Réseau Action Climat, representing 22 member organisations
12. Foundation "Development YES-Open-Pit Mines NO, representing 13 local communities and 15 member organisations
13. SEE Change Network, representing 30 member organisations

National Organizations:

14. Amigos de la Tierra
15. Association Workshop for All Beings

16. Climate Reality Europe
17. Milieudefensie
18. Sandbag
19. Eco-union
20. EKOenergy
21. E3G
22. Frank Bold Society
23. EKOenergy
24. GLOBAL 2000 - Friends of the Earth Austria
25. Greenpeace
26. Green Liberty
27. IIDMA
28. SEO/BirdLife
29. WWF European Policy Office
30. WWF Greece
31. ZERO - Association for the Sustainability of the Earth System

1 "Exposed: €58 billion in hidden subsidies for coal, gas and nuclear" Greenpeace EU briefing, 13.09.2018