

**RWE**

# European Electricity Markets

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# EU electricity market design package

## Biggest achievement was what they didn't do

- Generator revenue caps not continued
- Market won't be split into separate markets for renewables and conventional power

## Consolidation and streamlining of status quo

- Capacity mechanisms no longer a last resort
- Two-way contracts for difference to be used for renewable support
- Increased use and standardisation of renewable power purchase agreements (PPAs)

## Virtual hub initiative will split liquidity

- Solution looking for a problem
- Physical-financial basis risk
- Topography of virtual versus physical capacity rights and revenue adequacy

# Future regulatory framework threatens to stifle liquidity further

## Misdiagnosis of the energy crisis ...

- Price rises blamed on speculation rather than fundamentals and ill-judged intervention
- Bailouts represented “systemic” financial issues rather than supply failure

## ... has led to proposed remedies that threaten to kill the market

- Gas “Market Correction Mechanism” retained
- Financial licensing of energy traders
- Prudential regulation diverts capital from energy transition
- Forced exchange trading/clearing/collateralization
- Position limits

