



Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With 200 member organisations active in 40 European countries, representing over 1,700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

12/03/2026

CAN Europe Input to Energy Council 16 March 2026

Dear Minister,

As you gather for the upcoming Energy Council to discuss key issues including the Grids Package and electricity prices, we are deeply concerned by the war on Iran and escalating conflict across the region, with devastating human toll. We denounce breaches of international law and urge EU Member States to pursue constructive and united diplomacy to bring the war to an end.

Europe is once again confronted with the risks of its continued dependence on fossil fuels. The escalating conflict demonstrates how geopolitical instability can rapidly translate into price volatility for European households and businesses. Phasing out fossil fuels and accelerating renewable energy, electrification and energy savings is therefore not only a climate imperative, but also a strategic priority for Europe's energy security, affordability and competitiveness.

Against this backdrop, we would like to highlight three key considerations for your discussions in these turbulent times, requiring strong leadership and clear direction for Europe's energy transition bringing genuine energy security:

1. An EU-wide Fossil Gas Phase Framework

Given the security, economic and climate risks of heavily relying on imported fossil fuels [and fossil gas particularly](#), demonstrated yet again by the current crisis, the EU should:

- Move towards a [structural reduction of fossil gas demand](#) building on the [successful demand reduction framework adopted in 2022](#) (Council Regulation 1369/2022) which brought down the EU's gas demand by close to 20%.
- Build on the political momentum and the political commitment to [phase out Russian fossil gas imports by 2027](#) to establish a framework progressively reducing and phasing out [growing US LNG imports](#) in the early 2030ies in line with a [full fossil gas phase out by 2035](#), currently leading the EU to another high risk dependency. This would be in line and complementary with the implementation of the EU Methane Regulation.
- The upcoming revision of the EU's Energy Security Framework provides a key opportunity to establish a structured and time-bound fossil gas phase-out framework,

by including both, mandatory yearly gas demand reduction objectives and a roadmap to progressively reduce and phase out LNG imports in the early 2030ies and in line with a full gas phase out by 2035, including those from the US. Reducing the EU's reliance on risky fossil fuels goes hand in hand with accelerating renewables build out, electrification, energy efficiency, non fossil storage options and grid expansion.

2. European Grids Package

Europe's transition to a highly renewable power system requires a more coordinated European approach to grid planning. The current practice of stitching together 27 national plans has created inefficiencies, supply constraints, regional divergence, and isolation, including [high prices in south-eastern Europe](#), [curtailment in Iberia](#) and [isolation for Cyprus](#).

A Commission-led scenario allows for a common approach that satisfies national and European aims, and can tackle inequality between regions. To strengthen the Commission proposal and enhance the benefits for Member States, we strongly recommend:

- use of open-source modelling for transparency
- safeguards ensuring independent analysis
- a clear process for stakeholder participation, including civil society

At the same time, congestion is already rising today. Rapid solutions are needed to unlock existing grid capacity before new infrastructure is built. This includes:

- revising Cost Benefit Analysis to value quick-to-deploy technologies showing benefits before 5 years
- setting a clear Projects for Common Interest (PCI) category for grid-enhancing technologies, and
- lowering the prohibitively high size threshold for electricity storage projects under the PCI framework.

As all countries begin to benefit from renewable power crossing borders across Europe, it is important that the internal grids of transit countries are fairly supported. PCI definitions need to be revised to allow for the investment into reinforcing internal grids when necessary for new interconnector projects. And finally, the current fossil fuel crisis again shows why the EU must reduce gas demand and oppose the reintroduction of gas or “smart” gas grids under the TEN-E revision.

3. Electricity Prices

At a time of persistently high energy costs, we urge you to prioritise solutions that deliver structural and lasting price reductions, while preserving the integrity of the EU climate and energy framework. In this regard, we urge you to:

- **Accelerate the transition to a renewables-based energy system as the structural solution to lower costs:** Expanding renewable energy and non-fossil flexibility is the most effective and sustainable way to bring down power prices, rather than reopening core elements of the EU framework such as the Electricity Market Design or the Emission Trading System (ETS). The current price pressures are driven primarily by fossil fuel reliance, not the design of the electricity market, and

[regions with high shares of wind and solar already demonstrate structurally lower wholesale prices and reduced exposure to fossil fuel price volatility](#). The priority should therefore be to remove practical barriers that limit renewables' full price-lowering potential - including obstacles to long-term PPAs, grid bottlenecks, and insufficient deployment of storage and demand response.

- **Use targeted short-term measures that preserve market stability:** Member States have clear levers to provide relief to both industry and households without undermining price signals. [Reforming electricity taxation, by reducing or suspending excessive levies and shifting public policy costs from electricity bills to general budgets](#), can immediately lower prices. Where industry faces acute pressure, temporary and targeted lump-sum support, conditional on industrial transformation, is preferable to structural market interventions, as it avoids regulatory uncertainty. Importantly, revenues from the EU ETS provide a ready and coherent source of funding for such targeted measures. Undermining the ETS through structural market interventions would weaken the carbon price signal, risk reducing auction revenues available to Member States, and create regulatory uncertainty that could deter clean investment.
- **Place citizens and fairness at the centre of the response:** High electricity prices are driving energy poverty and eroding public trust in the transition. Any short-term industrial support should be matched by equally robust measures for households, ensuring fairness and social cohesion remain guiding principles of Europe's energy policy. This is why it is crucial to empower households to actively participate in the energy system and benefit directly from renewable deployment, as recognized by the recent Citizens Energy Package. Targeted income support and expanded access to energy efficiency can provide decisive relief, while enabling participation in demand response and energy communities will lower system cost and reduce bills over time. Progressive implementation of such measures are needed to ensure that intervention reduces social inequalities rather than exacerbates them.

A balanced package centred on renewables, fair taxation, flexibility, targeted short-term relief while introducing structural measures to phase out fossil fuels and gas dependency in particular offers a more stable and cost-effective path than rolling back on core EU climate and energy rules.

We encourage Ministers to use this Council to advance a forward-looking energy policy focused on delivering the infrastructure needed for renewable power, lowering energy prices and strengthening Europe's long-term energy security by phasing out the EU's fossil fuel dependency.

We remain at your disposal for further exchange on these important matters and stand ready to support you. Please find in the annexes additional recommendations and information.

Chiara Martinelli
Director
Climate Action Network (CAN) Europe

Annex 1: Additional Measures to Improve the European Grids Package

Annex 2: Factsheet: How can Europe bring electricity prices down?

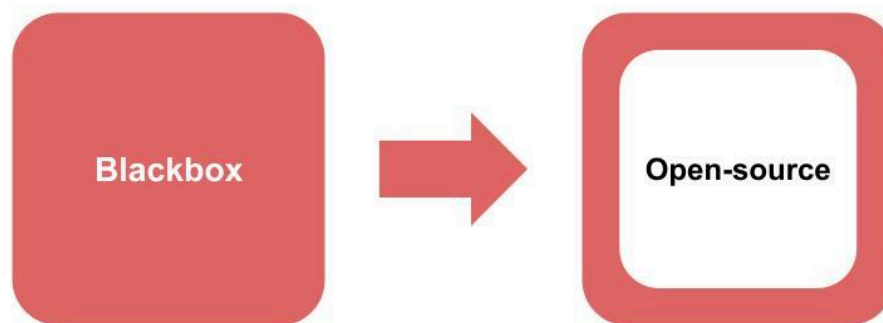
Measures to improve the European Grids Package

This Annex provided by CAN Europe investigates key provisions that should be introduced in the European Grids Package and discussed in the March 16 Energy Council Meeting to ensure an ambitious common scenario and solutions to rapidly boost grid capacity.

Ensure an independent common scenario	1
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Ensure an independent common scenario

Introduce an open-source model



The move towards a Commission-led common scenario is a welcome move, however it must be backed by transparency if it is to be considered socially relevant. A “blackbox” approach, as has been the case with the Commission’s use of PRIMES, would mean a lack of transparency on how the model reaches its conclusions, even if input data is known. This would reduce the quality of the analysis, making it harder for Member States to be able to use this resource at a national level, and prevent healthy public scrutiny.

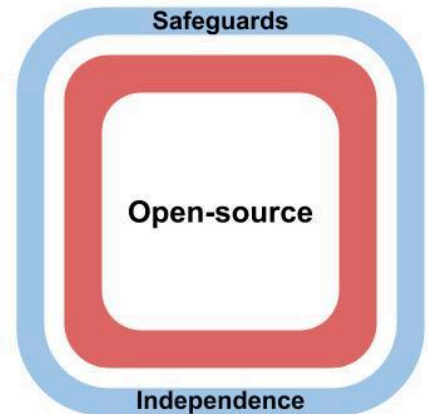
Introducing a fully open-source model, alongside clear transparency of the input data, means that all stakeholders, including EU countries, can better participate in discussion surrounding the common scenario.

Discuss the use of safeguards

To maintain societal relevance, the work on the common scenario must be safeguarded against attacks on its independence.

During the Energy Council, Member States should discuss what this safeguard could look like.

A small example could be having national regulators checking the data submitted by Transmission System Operators before it is sent off to be used in the common scenario.

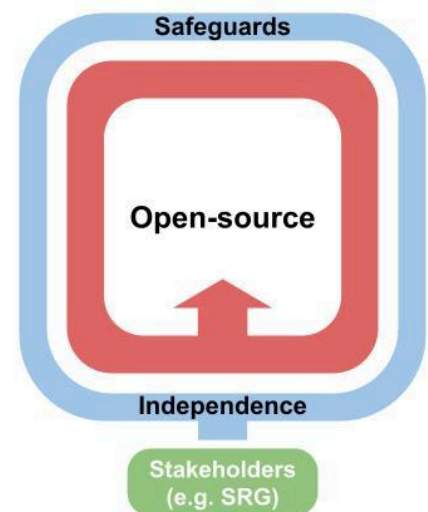


Integrate process for stakeholder input

The Commission proposal has done little to integrate a stakeholder process into the scenario work.

The Scenario Reference Group under the current TYNDP provides a best practice to ensure fair security and checks, and should be included under the new common scenario work.

Member States could also discuss how the opinions of regulators, TSOs, DSOs, and national governments could be taken into consideration without disrupting independence.



Rapidly unlock existing grid potential

Lower the threshold for energy storage projects

Fast-to-deploy batteries locked out of European funding

Majority of storage PCI projects are pumped-hydro, while batteries struggle to qualify under existing hurdle

Hydro Hydro + Batteries CAES Batteries

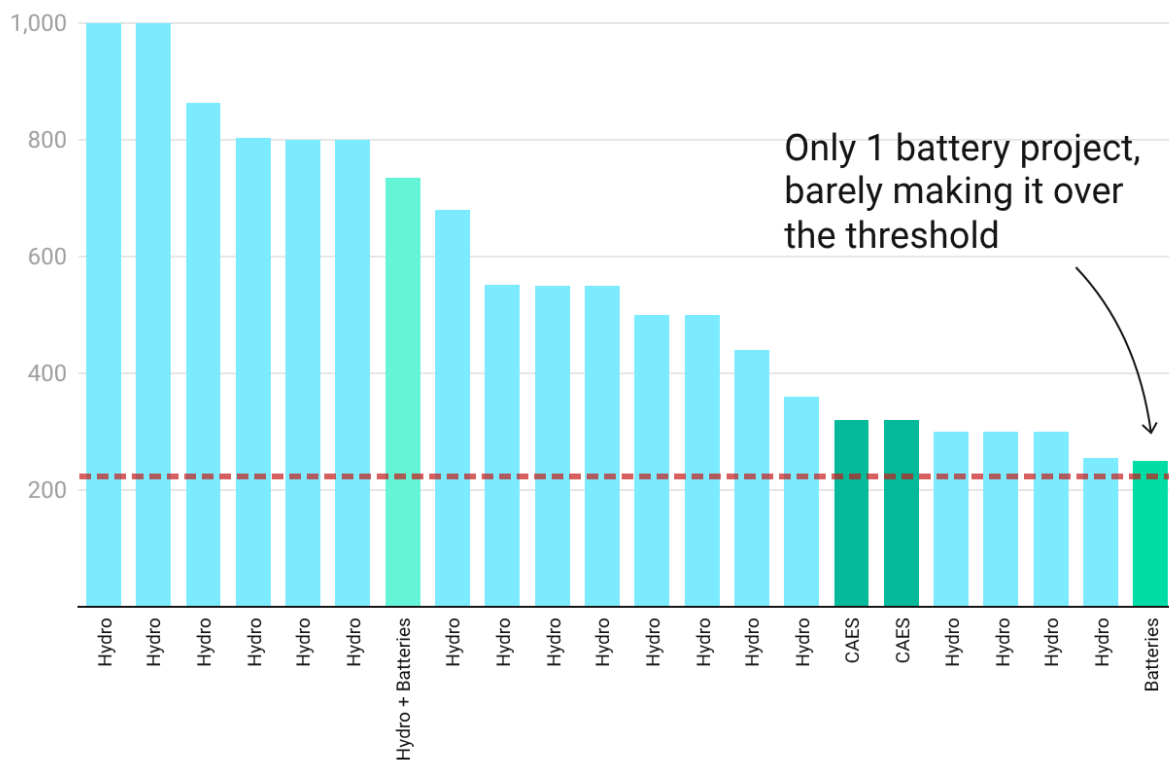


Chart: CAN Europe • Source: Preliminary data • Created with Datawrapper

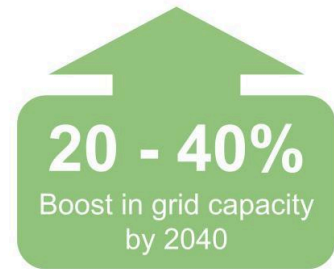
Large scale batteries can increase the effective cross border capacity of interconnection cables through the careful management of the flow of electricity. However, the vast amount of these projects go towards pumped-hydro storage, which take a long time to deploy, and often face resistance due to legitimate environmental and biodiversity issues.

The current threshold set at 225 MW for storage projects is higher than the vast majority of utility scale battery projects. Lowering this threshold to below 200 would allow many more fast-to-deploy projects to qualify.

Set a definition and PCI category for Grid Enhancing Technologies

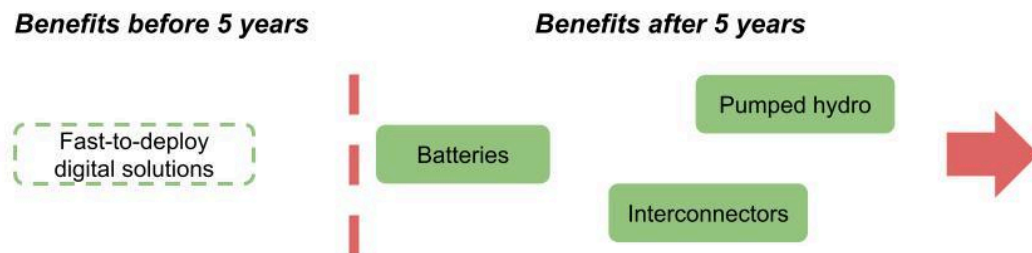
A study has shown that the capacity of Europe's grid could be increased by 20 - 40% via the use of Grid-Enhancing Technologies (GETs).

Many of these technologies require no additional lines, meaning the potential for rapid deployment, without the need for new permitting.



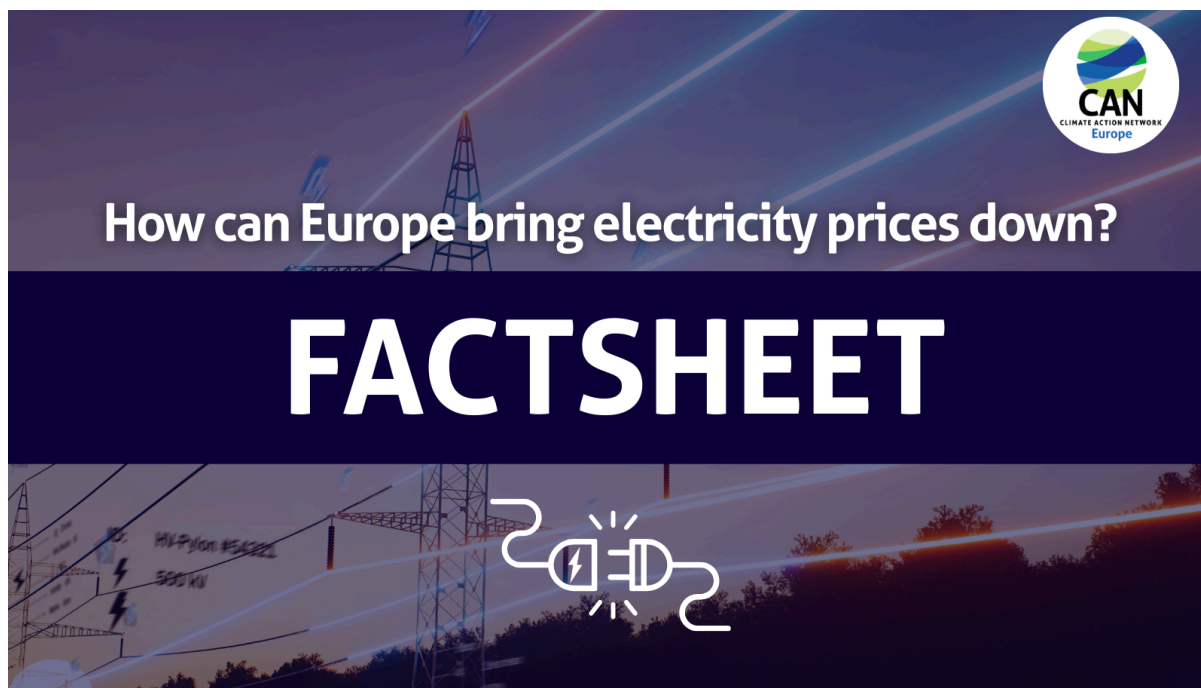
While the proposal mentions these technologies, very little has substantively changed. Working on a common definition for GETs and then clearly allowing for this definition to seek PCI status under the electricity category would help de-risk these projects, and support quick boosts in capacity with European technology.

Allow Cost-Benefit Analysis to see fastest-to-deploy technologies



Under the current cost-benefit analysis, projects are evaluated on the socio-economic benefits seen after 5 years from the project's submission. However, some projects using GETs could see benefits before the 5 year threshold, meaning this advantage is invisible under the current system. Lowering the threshold would mean urgently needed solutions that can act quickly can be deployed.

Factsheet: How can Europe bring electricity prices down?



Why is affordable electricity urgent for Europe's households and businesses?

Since the energy price crisis due to Russia's invasion of Ukraine, households have been devoting [a larger portion of their income to electricity](#), with prices increasing from an average of 22 cents per kWh in 2021, to almost 29 cents after the start of the war, and only marginally decreasing since then, [according to Eurostat](#). Further increases or sustained high prices could provoke stronger social resistance.

Electricity prices in Europe remain strongly influenced by volatile global fossil gas markets. Recent geopolitical tensions, including the escalation of war in the Middle East, have once again triggered sharp increases in gas prices, exposing the continued vulnerability of Europe's dependence on fossil gas and its power system to external shocks. Early March 2026 saw [European gas prices rise beyond 60%](#) following disruptions to energy supply routes and liquefied natural gas (LNG) production in the Gulf, and the cost of [gas-fired electricity has increased by 55%](#). The impact on electricity prices will be greater the longer the conflict goes on, and will be most severe for countries with the heaviest reliance on gas power.

At the same time, substantial reductions in greenhouse gas emissions depend on electrifying transport and household heating. If households are forced to shoulder a disproportionate share of electricity system costs to favor industrial users, they may be discouraged from investing in electrification technologies like electric vehicles and heat pumps, which are crucial for the energy transition.

Why does Europe pay more for electricity than other advanced economies?

The EU's electricity prices remain higher than in other regions of the world primarily due to the [heavy reliance on imported fossil fuels](#), with fossil gas often setting the wholesale price. Unlike renewable generation, Europe's storage capacity and demand-side flexibility [have not developed at the same pace as variable renewables](#), leaving markets vulnerable to price spikes when gas prices rise. However, this is not uniform across the EU: countries like the [Nordics and Spain](#), with abundant renewable and well-integrated markets, enjoy more competitive wholesale electricity prices.

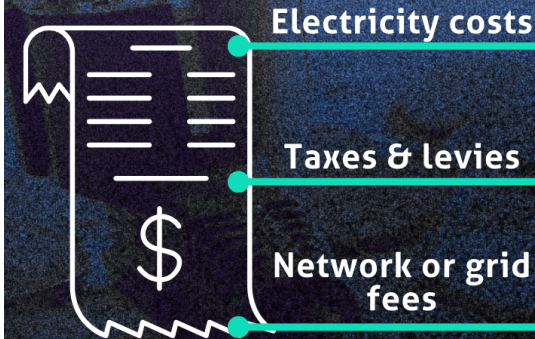
Despite higher nominal prices, the EU is generally more energy-efficient relative to GDP than other major economies. This means that its competitiveness in electricity-intensive sectors is stronger than its headline prices suggest. Addressing price volatility and affordability requires continued investment in homegrown renewable energy, non-fossil flexibility and storage, grid modernisation and interconnections, and efficiency measures that allow Europe to combine climate ambition with resilient and competitive energy systems.

What makes up an electricity bill?

Electricity prices are shaped by several structural factors, which are all reflected in the bill. All components depend on policy choices made by governments.

- **Energy costs:** This is what you pay for the electricity you actually use. Prices depend on wholesale electricity costs, which can vary by generation technology, supply and demand, infrastructure constraints, time of day and season or weather conditions.
- **Network or grid fees:** Charges for using the transmission and distribution networks that bring electricity to your home or business. This pays for maintaining poles, wires, and infrastructure.
- **Taxes:** These are added by governments along with various other charges including excise duties, VAT, and levies, some of them supporting renewable energy or energy efficiency, others have no link with energy, such as charges related to public broadcasting.

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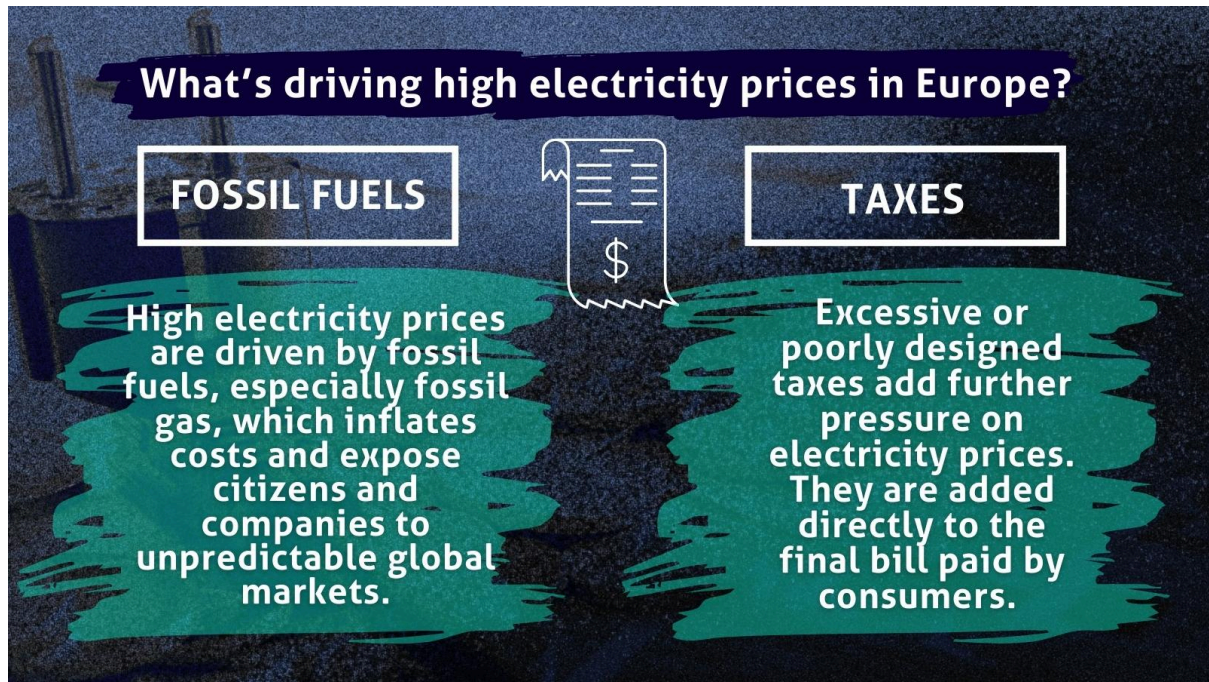
Governments add taxes or environmental fees. Some support renewable energy or energy efficiency.

Charges for using the networks that bring electricity to your home or business. This pays for maintaining poles, wires, and infrastructure.

What's driving high electricity prices in Europe?

High electricity prices are driven by imported fossil fuels, particularly fossil gas, which are the main driver of price volatility and spikes, continue to set the price in many countries, inflate costs across the system and expose citizens and companies to unpredictable global markets. Slow growth and modernisation of Europe's electricity grids also contribute to high prices, as limited transmission and capacity leads to curtailment of cheap renewable energy and continued reliance on fossil backup plants.

Excessive or poorly designed taxes add further pressure to prices. These taxes are added directly to the final bill paid by consumers, and tax structures often inflate electricity costs unnecessarily. In many countries, [electricity is taxed more heavily than fossil fuels like gas](#), which makes electrification less attractive.



Why is gas influencing electricity prices and how to break this link?

Under the Electricity Market Design, the merit order means that the cheapest available power plants are used first. This minimises overall system costs and supports cross-border trade. However, fossil gas-fired power plants, often the marginal price-setters, continue to drive wholesale electricity prices in many countries. As long as fossil fuels continue to set the marginal price, electricity prices will reflect fossil fuel price volatility. Reforming the merit order would not eliminate this structural link; it would merely obscure price signals and deter investment in renewable generation and flexibility, as well as create regulatory uncertainty and risk increasing electricity prices. By contrast, rapidly scaling up wind and solar, together with storage and demand-response, can reduce the influence of fossil fuels on electricity prices, helps bring down wholesale prices, and ultimately decouples electricity costs from gas price volatility. Spain, for example, [has significantly reduced the link between electricity and gas prices](#) by investing heavily in renewable energy.

How to lower bills in the short term?

In the short term, the fastest way to lower electricity bills is through tax reform, specifically by rebalancing taxation away from electricity and toward fossil fuels. In many European countries, electricity carries a disproportionate share of policy costs, levies and VAT, while fossil gas and other fossil fuels remain comparatively lightly taxed. [According to the IEA](#), in the first half of 2025, taxes and levies accounted for 28% of the average electricity prices for households, and was 2.2 times higher than the tax component on fossil gas, with particularly significant differences in Spain (4.2 times) and Germany (3.2 times).

Some governments recently took action to lower this ratio and reduce electricity prices through tax reforms. Examples include Austria and Denmark, which both reduced to the EU minimum level of 0.1 cents per kWh for 2026 onwards. [Germany](#) removed significant costs of legacy renewable support in 2021, leading to a reduction of the average annual household

electricity prices by 16%, and the [Netherlands](#) has been gradually rebalancing tax on electricity since 2017.

Reforming tax structures is therefore a powerful lever that governments have today to lower power prices. Attention needs to be put on the effect of such reform, as rebalancing taxes to fossil fuels can impact vulnerable households. This calls for targeted and progressive solutions.

How can renewable energy transition lower costs?

Renewable energy can lower energy costs through a combination of low operating costs, efficiency gains, and smart grid investments. Wind and solar have virtually zero fuel costs, so once built, they produce electricity at a fraction of the cost of fossil-fueled plants. This reduces the wholesale price of electricity and shields consumers from volatile fossil fuel markets. [Evidence from the European Environment Agency shows](#) that expanding renewables and electrification could reduce EU wholesale electricity prices by up to 57% by 2030, from around €91.7/MWh in 2023 to about €39.9/MWh, as renewable generation displaces gas-fired power and reduces exposure to imported fuels. Households and businesses can further lower bills by saving energy through efficiency measures, such as insulation, heat pumps, and smart demand management, which reduce consumption during high-price periods.

Over the medium and long term, investing in grid expansion, storage, and flexible resources maximizes the value of renewables and stabilizes prices. Flexibility allows the system to balance supply and demand efficiently, preventing spikes when wind or solar output is low, and substitutes gas as the price setter. [A 2025 system-cost analysis by WindEurope](#) finds that a renewables-based energy system is the lowest-cost pathway for Europe, potentially saving up to €1.6 trillion by 2050 compared with slower transition scenarios, even when accounting for investments in grids, storage, and system flexibility. By combining low operating costs with smarter use of electricity and robust infrastructure, the renewable transition creates a more resilient energy system and delivers predictable, lower bills over time.

How can renewable energy transition lower costs?

Unlike fossil fuels, wind and solar do not require constant imports and do not involve the costly extraction, transport and combustion of harmful fuels.

EUROPE NEEDS ENERGY SOURCES THAT ARE CLEAN, PRODUCED AT HOME, AND IMMUNE TO FUEL PRICE SHOCKS

Once installed and supported by adequate system infrastructure renewable energy sources deliver stable, predictable electricity for decades.

But renewables are not enough. Europe must electrify key sectors, modernise its grids and build interconnections. We need greater flexibility and smarter electricity taxation.

Is ETS impacting prices?

The EU Emissions Trading System (ETS) places a carbon price on emissions from power plants and industry, increasing the operating costs of coal and gas plants. However the impact is minimal in the energy bill. [Estimates show](#) that carbon costs account for roughly 4-5% on average across the EU, with higher share in countries that rely more heavily on fossil fuels.

More importantly, the ETS has delivered significant benefits for Europe's energy transition. By putting a price on carbon, it creates a strong incentive to replace coal and gas with cleaner technologies and to invest in renewable energy, efficiency, and electrification. Since its introduction, [the ETS has helped cut emissions from covered sectors by around 50% compared with 2005 levels](#), particularly in the power sector where renewables have rapidly expanded. Revenues generated from the auctioning of carbon allowances also provide billions of euros each year to support innovation, clean technologies, and targeted support for households and industry during the transition.

How will the war in Iran and escalating conflict in the region impact prices? Are we facing another energy price crisis like in 2022?

The conflict in the Middle-East is already pushing up oil and gas prices, with [European gas prices increasing by more than 60% in the first week after the](#) attacks due to risks to key chokepoints like the Strait of Hormuz. In 2022, the loss of more than 100 billion cubic metres (bcm) of Russian pipeline gas drove European gas prices to unprecedented levels, with the Dutch TTF benchmark reaching around €340/MWh in August 2022. Current market conditions remain far below those extremes. While prices have recently shown volatility, rising sharply at the beginning of the week, the Dutch TTF benchmark is currently fluctuating around €50/MWh, indicating a much [more stable situation than during the 2022 crisis](#). In addition, since 2022, the EU has diversified its gas supplies, increased gas storage and

market safeguards. The scale of the energy price crisis however is tributary to the duration of the conflict and sustained impact on export disruptions and prices.

Even so, short-term price spikes will impact households and industry, highlighting again Europe's extreme dependency on imported fossil fuels. Accelerating homegrown renewables, non-fossil flexibility and storage, efficiency and flexible demand remains the solution to shield consumers, stabilise markets and maintain competitiveness while reducing dependence on volatile global energy markets.