



POLICY RECOMMENDATIONS

CAN Europe's key asks on Affordable Energy Action Plan

Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 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.

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A. Introduction

Energy prices in the EU are higher than in other regions and pose a risk to competitiveness, as highlighted in the Draghi report. They also affect households and citizens, who must bear the cost of volatile prices, leading to an increase of energy poverty.

The European Commission intends to tackle these issues via a dedicated action plan. Complementing the Clean Industrial Deal, it is an opportunity for the EU to shape its economic future and energy agenda. To be truly effective, it must align with the transition to 100% renewables. EU industries and households need affordable, safe and clean energy- something that cannot be achieved with fossil fuels or nuclear energy.

Renewable energy is the most cost-effective solution to produce energy and increase the overall electricity supply. To achieve sustainable and affordable energy, the EU needs to accelerate the decarbonisation of the energy system, phase out fossil fuels and drastically increase efforts to save energy. This will help lower prices while progressing faster on the transition, [generating economic and social co-benefits](#) on the way. The EU must prioritise renewables over fossil gas and other fossil fuels, increase flexibility and grid investments and ensure a just transition that does not put the burden on households. This includes dedicating schemes to support households to accelerate the transition to renewable energy.

B. CAN Europe's recommendations

1. Accelerate Renewable Energy Deployment: The European Commission must signal the need to accelerate the uptake of renewable energy to decouple electricity prices from gas. This means ensuring a stringent implementation of the Fit for 55 package and in particular the renewable energy directive with its target of 42.5% by 2030 and provisions to speed up permitting. In order to reach the aspirational target of 45% renewables, the Commission must take further action, as foreseen in the Electricity Market Design, such as launching an EU-wide auction. Moreover, it must pave the way for

an ambitious 2040 climate and energy framework, by setting a 100% target for renewable energy, as suggested in our [Paris Agreement Compatible \(PAC\) energy scenario](#).

2. Increase energy savings and efficiency: Reducing energy demand can accelerate the phase out of fossil fuels, lower energy bills for individuals and industry, and reduce the overall system costs, as fewer renewables will need to be deployed. The Action Plan for Affordable Energy must request Member States to decrease energy consumption in all demand sectors. A particular focus should be put on the buildings and transport sectors to prepare and shield consumers from the price effects of the ETS2 introduction. The plan should refer to concrete measures to accelerate savings in those sectors, such as for buildings, deep renovations (especially focussed on worst-performing buildings), supported by electrification, solar PV and renewable heating systems installation, and for the transport sector, decrease of the car fleet, more efficient vehicles and increased support for public transport.

3. Pursuing gas demand reduction and phasing out fossil fuels: Electricity prices are high because they are linked to gas prices. Gas remains expensive due to increased reliance on liquefied natural gas (LNG), which requires high transport, liquefaction and regasification costs. As long as the EU stays dependent on expensive fossil gas, energy prices will remain high. Pursuing gas demand savings as [introduced](#) by Regulation 2022/1369, and aligned with the broader goal of energy savings, is essential. Member States have collectively reduced gas demand by 18% over the past two years. Prolonging and making those savings mandatory will bring down energy prices. To tackle the root cause of high energy prices and advance its climate agenda, the EU must set deadlines for phasing out all fossil fuels. Guided by our Paris Agreement Compatible scenario, we propose a coal phase out by 2030, for fossil gas by 2035 and for oil by 2040. [Subsidies to fossil fuels](#) must be ended.

4. Increase system flexibility: Flexibility measures can significantly reduce renewable curtailment and day ahead energy prices. The Action Plan for Affordable Energy must contribute to increase the flexibility of the energy system by implementing demand side flexibility measures and storage solutions to put the consumers at the heart of the system and enable them to benefit from cheaper energy prices. The Commission must in particular oversee and coordinate the submission of national flexibility assessments, support schemes and objectives, and make its own assessment and objectives at the EU level.

5. Foster citizen's participation in the energy system: Local communities can secure ownership of renewable production and shield themselves from the impact of volatile prices. The European Commission must recognise the role of energy communities and energy sharing in lowering energy demand and costs, able to decrease prices and carrying out citizen-led renovation projects, and further incentivising their uptake. Ahead of the forthcoming citizens energy package, it must acknowledge the role of community energy and favour a decentralised energy system by facilitating community ownership of renewables and energy infrastructure.

6. Boost investments for grid development: Grid investments are essential to tackle grid congestion and integrate renewables into power networks. Crucial investments in transmission, distribution grids and interconnections are needed, to eventually lower system costs. Further streamlining public money (in particular from EU funds) can help but the EU could also mobilise private capital, by incentivising the setting of infrastructure funds offering publicly backed guarantees able to lower financing costs and attract investors.

7. Protecting vulnerable consumers: While high energy prices are one of the problems for the competitiveness of businesses, it also significantly affects households and people. With energy poverty on the rise, the action plan for affordable energy must look at ways to decrease the burden of energy prices for households. Households must be protected against high network tariffs and should not cover the burden of investments in grids. In this regard, the Commission should look at best practices and systems to make sure the grid tariffs are shared equitably across society, in order to minimise the burden on consumers while incentivising the use of flexibility. It must also set actions to optimise the design of two-sided contracts for difference to incentivise renewable energy production to respond to wholesale price fluctuations and ensure redistribution of revenues to consumers, in particular to low income consumers. Protecting low income individuals requires implementing support schemes to accelerate their transition through targeted financial and technical support for integrated and holistic energy renovations, as well as electrification.

8. Fairer and more environmentally friendly energy taxation: Taxation on electricity is higher than on gas and does not reflect the environmental cost of the energy carrier. The Commission should look at ways to readjust taxes and levies to ensure a level playing field to move away from fossil fuels and incentivise electrification (while protecting the most vulnerable). A reform of the Energy Taxation Directive is long due. The European Commission must explore ways to decrease the burden of high energy prices through taxation, and incentivise Member States in applying progressive energy pricing, ensuring the right to energy, while avoiding luxury emissions.

C. What the EU Must Avoid

1. Prolonging gas imports and increasing LNG: The EU and Member States must not sign long term gas contracts that log us into dependencies and further increase LNG imports, in spite of their manifold social and environmental adverse impacts.

2. New fossil gas extraction and infrastructure: The EU must impose a ban on new fossil gas and infrastructure buildout.

3. Industry incentives without strong accompanying environmental and social conditions: Offering support schemes for the industry without [robust environmental and social safeguards](#) undermines the EU's climate goals.

4. Lowering environmental and public participation standards when simplifying RES permitting and authorisation.

5. Investing in false solutions: the EU should not incentivise nuclear energy as renewables are cheaper, cleaner and faster to deploy. The use of CCS must be strictly limited to industry processes, where no alternative to rapid decarbonisation is available.

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