

Opinion | 14 March 2025

## EU Clean Industrial Deal: lowering energy bills will face hurdles

Following the energy crisis triggered by Russia's invasion of Ukraine, and the persistent high energy prices impacting European households and industries, the European Union has published its Clean Industrial Deal with the intention of laying out possible solutions. Our conclusion is that hurdles already exist and that actions may be limited



The European Commission says its Clean Industrial Deal sketches out "concrete actions to turn decarbonisation into a driver of growth for European industries". The aim, it says, is to reduce energy prices, create jobs, and help companies to compete against fierce competition. In our view, some of the proposed measures could yield results in both the short and long term. But there are obstacles that could limit their overall impact. In this article, we summarise some of the key measures that the EC is proposing and explain why we think they might fall short of achieving the intended outcomes.

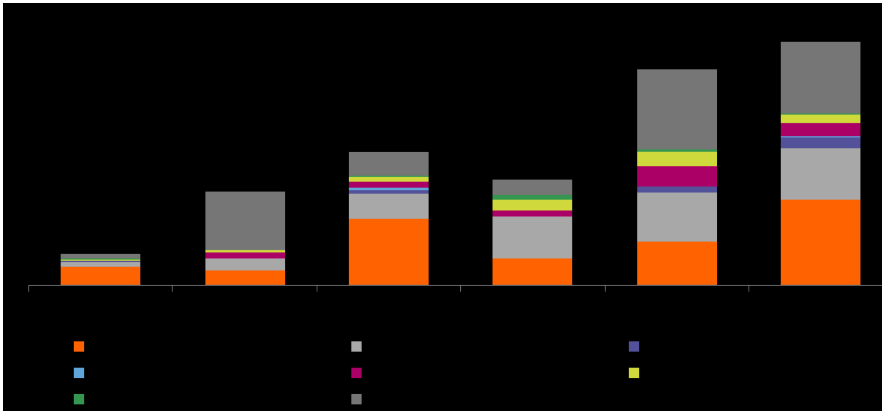
### Clean Deal's discussed options to lower energy bills and uncertainties

- **Natural gas joint purchasing:** In the short and medium term (up to 2030), energy costs, which constitute half of the energy bill, are largely determined by the global liquified natural gas (LNG) market, as natural gas is the price-setting technology in most

countries. EU members' joint purchasing of LNG can lower prices.

- **Reduce taxes and network costs:** The commission allows and promotes member states to reduce taxes and network costs, which make up the other part of the energy bill.
- **Increasing Power Purchase Agreements:** The increase of Power Purchase Agreements (PPAs) can reduce the exposure to commodity price volatility (PPAs) and lead to long-term savings by securing fixed energy prices. Power Purchase Agreements are also quite often contracted for the delivery of green energy, helping companies and industries to advance their sustainability goals.

### Power volumes in EMEA sold through PPA contracts grow year after year (in GW)



Source: BNEF, ING

- **Establishing a contracts for difference mechanism:** Electricity could be sold between a minimum and a maximum set price. The mechanism would safeguard minimum margins to power generators while protecting consumers from predatory tariffs. The new power regulatory regime in France starting in 2026 goes in that direction. Electricité de France (EDF) is guaranteed a wholesale price floor of €78/MWh. EDF is required to redistribute 50% of its income to consumers for power sold between €78 and €110 per MWh. Above €110/MWh, 90% of the surplus income must be redistributed to consumers.
- **Boost flexibility and lower peak demand:** The European Union wants to boost power generation flexibility and lower peak demand through storage and demand response.
- **Increase energy efficiency:** Increase energy efficiency and deliver energy savings with the financial support of organisations such as the European Investment Bank for small and medium enterprises.

### Clean Deal's stance on infrastructure and AI development

- **Accelerate permitting process and infrastructure building:** EU states should find ways

to shorten permitting procedures and speed up energy infrastructure construction, especially cross-border connections. A quicker process for permission and construction will increase power transportation flexibility across Europe.

- **More nuclear power:** Stimulate nuclear power, especially through the building of small modular reactors. While the measure would allow more energy independence, this can only work in the long term due to the time lag imposed by innovation and construction.
- **Smart Metering and artificial intelligence:** Increase smart metering, digitisation, and AI in the energy sector.

### Our opinion about the EU Clean Industrial Deal

We believe that some of the proposed measures could deliver results in the short and long term, but some hurdles may limit their impact.

**The document lacks alternatives for gas.** First of all, we think that the 40-page document is lacking alternatives to increase gas production within Europe, such as natural gas as well as bio-gas, geothermal heat, solid biomass and the utilisation of residual heat through district heating. Second, the EU-ETS deadline for a net-zero industry and power sector by 2040 has not been extended. This goal was already ambitious but seems unrealistic in the new geopolitical world. With this target still in place, Europe seems to be at risk of de-industrialisation rather than achieving a green transition, regardless of how much energy prices are lowered.

### ***PPAs and contracts for difference already face criticism***

**PPAs are not always perceived favourably.** The volume of energy sold under power purchasing agreements has increased across Europe and will continue to increase. However, in some countries, negotiations between energy providers and clients have been extremely difficult. The terms of PPA contracts are sometimes seen as favouring energy providers. Conversely, utilities may prefer to sell power at variable market prices, seeing it as a more financially advantageous option and thus are reluctant to sign PPAs. Moreover, long-term contracts are a source of concern for industrials who lack visibility about their future energy needs. Similarly, utilities may hesitate if they anticipate benefitting from higher tariffs in the future.

**Contracts for difference** could be a very good measure to shield consumers from extremely elevated prices while ensuring energy providers the minimum margins for the sustainability of their business. Nevertheless, just like for PPAs, the setting of the regulatory rules could be seen as favouring energy players. In France, the cap and floors proposed by the regulatory body have been largely criticised. Consumer associations believe that the regulatory mechanism will

lead to higher energy bills in comparison with the current tariffs.

### ***Thus far, financial incentives have been too low or inefficient***

**Support from the European Investment Bank** to increase energy efficiency and deliver energy savings to SMEs and Energy Service Companies (ESCOs) already exists. ESCOs have been a rather unsuccessful recurring topic for years and have proved to be hard to scale. Thus far, energy savings have been triggered because of elevated energy prices. The measure lacks action such as the obligation to green houses and buildings within a limited number of years after the purchase of the asset.

**We believe that energy storage** is an effective way for consumers to enhance their energy consumption flexibility. The Netherlands and Germany are leaders in this domain. However, energy-intensive companies have been reluctant to adjust their energy demand and production. Thus far, financial incentives have been too low and inefficient.

**Increasing subsidies or lower taxes could aggravate the budget deficit.** Increasing subsidies and/or lowering taxes on energy bills is difficult in the context of high budget deficits. A large number of EU states have a growing budget deficit and are increasing the tax burden on citizens and companies to meet their funding needs. The European Union is willing to look into changing the budget deficit limits to accommodate the €800bn EU defence plan. However, with deficits already so high in countries such as France and Italy, the appetite to reduce taxes and increase subsidies for the energy sector may be very limited.

### **Author**

#### **Gerben Hieminga**

Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

#### **Nadège Tillier**

Head of Corporate Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

### **Disclaimer**

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to

## THINK economic and financial analysis

purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).