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ThinK 2030

Science-policy solutions for a more sustainable Europe

29 September 2025 Session Brief

How can energy reforms improve European competitiveness?

Institute for European Environmental Policy

CONCITO

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The Think2030 Dialogue Denmark, held on 29 September 2025, gathered decision-makers and analysts from policy, business and research communities across Europe to debate the key sustainability issues at stake for EU policy. The Think2030 Dialogue Denmark is one of several activities within the Think2030 platform, created by the Institute for European Environmental Policy in 2018 to provide science-policy solutions for a more sustainable Europe.

As part of the Think2030 Dialogue, CONCITO organised a session titled "*How can energy reforms improve European competitiveness?*". This session brief summarizes the key take-aways from this session.

Lead: CONCITO
Moderator: Christoph Heinrich, Executive Director, Ecologic Institute
Speakers:

- Émeline Spire, Director Europa, Agora
- Ingrid Reumert, Senior Vice President, Ørsted
- Sara Vad, Vice President, Head of Public Affairs, Danfoss
- Niels Anger, Head of EU Energy Transition at the German Federal Ministry for Economic Affairs and Climate Action

Key recommendations

- **Accelerate electrification as a strategic pillar of EU competitiveness.**
  Electrification is central to decarbonising industry, heating, and transport. It reduces fossil fuel dependence, supports EU technology leadership, and creates long-term cost and security benefits.

- **Enhance investor certainty through stronger EU coordination and anticipatory planning.**
  Boosting grid buildout and system flexibility requires proactive investment frameworks. The EU should scale up on the Connecting Europe Facility (CEF) for Energy, align permitting across member states, and facilitate cross-border cost-sharing.

- **Support flexibility and digitalisation to reduce system costs and maximise renewables.**
  Targeted policy frameworks should support demand-side flexibility, smart infrastructure, and storage as a key to reducing curtailment, stabilising prices, and limiting the need for state aid.

- **Address fairness and inclusion in distribution**
  Reforms must consider regional inequalities, job transitions, and cultural barriers. A just transition approach is vital to securing long-term public support.

Summary of policy session 4

Electrification of the economy is not just a climate imperative - it's a strategic opportunity for Europe. Clean electricity already makes up nearly 75% of Europe's power mix, making electrification an efficient and cost-effective pathway for decarbonization. It also improves energy security and offers competitive advantages through technological leadership.

Panelists agreed that energy reform must center around scaling electrification, especially in industry, heating, and transport, while also enhancing flexibility, investor certainty, and regulatory alignment.

At a time when global competition for clean technology leadership is intensifying, the EU must act decisively to make its internal energy market a driver, not a barrier, of industrial and social competitiveness.

The case for electrification: climate, costs and security

Electrification is not only a climate strategy, but it also improves European competitiveness in five key areas:

- **Climate efficiency**: Replacing fossil fuels with clean electricity can deliver faster and cheaper emissions reductions, especially in road transport, residential heating and low and medium temperature manufacturing.
- **Energy security**: Electrification reduces reliance on expensive and volatile fossil fuel imports, making supply chains more stable and resilient.
- **Competitiveness**: Clean electrification supports European manufacturing (e.g. heat pumps, wind, grid tech) and reduces long-term energy costs.
- **Jobs and economic value**: Electrification builds domestic value chains, creating more jobs in clean tech than those lost in fossil sectors.
- **Cost-of-living**: Electrification allows citizens to reap the benefit of the energy transition, e.g. through lower heating and road transport costs.
- **Market confidence**: A clear electrification path de-risks investment in renewables and clean infrastructure, reducing state aid needs over time.

However, the transition is not without challenges. Upfront costs, grid bottlenecks, slow permitting, and skewed tax systems are slowing the pace. Political and social barriers also risk stalling public support and investor confidence.

Key barriers and solutions identified

1. Grid expansion and planning gaps

Grid bottlenecks remain a major obstacle to electrification. The EU must promote anticipatory investment, cross-border cost-sharing, and better planning coordination.

Anticipatory investment is essential to lower long-term costs and unlock renewables. Panelists highlighted the value of scaling CEF Energy and increasing flexibility to reduce curtailment. Cross-border planning and cost-sharing, especially for offshore wind (e.g. Bornholm Energy Island), should be supported at EU level. Member States benefiting from such projects must co-finance infrastructure.

Permitting acceleration is necessary to close the gap between ambition and deployment. Germany's success in speeding up grid buildout following the invasion of Ukraine was noted as a positive example.

2. Flexibility, storage, and digitalization

Flexible demand, smart infrastructure, and storage are critical for integrating renewables and reducing reliance on fossil backup.

Flexibility measures (e.g. performance-based contracts, flexible demand incentives) are underused but could reduce grid costs by up to 20%. Digitalization enables real-time management of supply and demand, maximizing use of green electricity. Market frameworks must evolve to incentivize participation in flexibility and storage services.

3. Electrification-friendly price signals

Despite progress, many Member States still favor fossil fuels in their tax and subsidy systems, distorting energy price signals. Rebalancing taxation is necessary to make electricity more competitive than gas.

Cutting fossil subsidies would help reduce the public cost of the transition and level the playing field for clean solutions. Demand-side targets for electrification could provide long-term direction and market pull for private investment.

4. Investor confidence and just transition

Investors need certainty and long-term policy clarity to back large-scale projects. Meanwhile, the social dimension of the transition must not be overlooked. Certainty on demand and policy direction is key to unlocking private capital, especially in capital-intensive sectors like grids.

Just transition policies must address regional disparities and the social significance of certain jobs, not just economics.

Europe must lead by acting strategically

Electrification is Europe's strongest lever for reducing emissions, enhancing security, and strengthening competitiveness. But the pace is still too slow, and major systemic barriers remain.

To lead globally in the energy transition, the EU must deliver a coherent strategy that aligns investment, policy, and regulation across member states, anchored in affordability, fairness, and industrial opportunity.

A stronger, cleaner, and more integrated energy system is within reach if the right reforms are made now.

About Think2030

Launched by IEEP and its partners in 2018, Think2030 is an evidence-based, non-partisan platform of leading policy experts from European think tanks, civil society, the private sector and local authorities.

By focusing on producing relevant, timely and concrete policy recommendations, Think2030's key objective is to identify science-policy solutions for a more sustainable Europe.

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