



Integrate by '28

How completing the Energy Union can drive competitiveness, secure Europe’s energy needs, deliver the energy transition at least cost and simplify how Europe’s energy markets work.

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Foreword



Europe's energy markets have delivered extraordinary benefits. Over two decades, integration and competition have strengthened security of supply, enabled the rapid growth of low carbon and renewable generation and boosted competitiveness.

In moments of crisis, Europe's energy markets have proven resilient, attracting energy to Europe when it was needed most. Each year they deliver billions in additional welfare gains for consumers.

But the job is not finished. In this increasingly competitive global economy and geopolitical environment, fragmentation, regulatory uncertainty and uneven implementation are holding Europe back. At a time when Europe must mobilise unprecedented levels of private investment, to secure supply, decarbonise at scale and remain globally competitive, integration is no longer a technical aspiration. It is an economic necessity.

Energy Traders Europe has heard the call from European Commission President Ursula von der Leyen. We must complete the Single Market for Energy by 2028.

Integrate by '28 therefore sets out a practical approach to completing the Energy Union within this Commission mandate. It focuses on the market and regulatory foundations that matter most: removing barriers to cross-border trade, strengthening price signals, ensuring rules are stable and predictable, and creating a framework in which private capital can flow at scale. These are not abstract reforms. They are the conditions required to deliver Net Zero at least cost, keep energy affordable and make Europe a great place to do business.

But none of this will be possible without a policymaking culture fit for a true Energy Union, and so the choices made in this next political cycle will determine whether its energy markets continue to be a source of strength — or become a constraint.

This report is Energy Traders Europe's call to act now, to act decisively and to act together.

A stylized, handwritten signature in black ink.

Giusi Squicciarini
Chair of the Board, Energy Traders Europe

What market integration has delivered – and how it can deliver more

1

1 What market integration has delivered – and how it can deliver more

“Over the years, energy market integration has advanced significantly, becoming one of the cornerstones of the EU Single Market. And today, the Single Energy Market can well be Europe’s best asset to ensure its success in a novel global order.”

- Enrico Letta, Former Italian Prime Minister, author of *Much More than a Market*

Europe needs an urgency mindset

In her opening remarks to the World Economic Forum, European Commission President Ursula von der Leyen stated that “whether on trade or business, capital or energy – Europe needs an urgency mindset”². The remarks follow-on from the Draghi Report on The Future of European Competitiveness,³ which outlines that Europe faces an “existential challenge”: without higher productivity and lower system costs, the European Union (EU) risks losing its position as a global industrial power. If this happens it will undermine its ability to finance its social model and lead the clean transition.

Former Italian Prime Minister Enrico Letta reached a similar conclusion. In his *Much More than a Market* report, Letta identifies the Single Energy Market as one of Europe’s greatest and most underutilised assets, warning that momentum towards deeper integration cannot be taken for granted⁴.

The implication is clear: without renewed political commitment to complete the Energy Union, Europe risks continued higher energy costs, weaker competitiveness and persistent inefficiencies at a time of increasing global economic and geopolitical pressure.

Simple solutions are in short-supply

Europe remains structurally constrained by limited primary energy resources, forcing a continued reliance on imported fossil fuels, particularly natural gas. The loss of Russian supply after 2022 exposed just how deep that dependency runs, and the fragility it creates. This scarcity of resources means there are no easy fixes: infrastructure bottlenecks limit rapid diversification and the accelerated shift to renewables is constrained by grid capacity and investment challenges.

As a result, while the need to strengthen competitiveness, safeguard security of supply and accelerate decarbonisation is clear and urgent, the range of straightforward options to deliver these objectives is limited.

Integrating markets and creating an Energy Union has delivered

The Agency for the Cooperation of Energy Regulators (ACER) estimates that cross-border trade in electricity generated around €34 billion in welfare benefits in 2021 alone. This figure captures cheaper power flows, avoided curtailment, reduced fossil-fuel use, and lower system-wide balancing costs. Taken together, this demonstrates that Europe has, in a relatively short period, created an energy market with significant economic and strategic value – one that merits consolidation and completion rather than inaction.

Enrico Letta captures this point perfectly: “The integration of energy markets must be deepened. It is the only way to ensure solidarity, affordability, and sustainability in times of crisis”.

But we must go further

Completing the Energy Union by 2028 is not an abstract institutional goal; it is the most effective lever available to the EU to strengthen industrial competitiveness, deliver cost-effective decarbonisation and ensure affordable, secure energy for consumers.

Mario Draghi, in his 2025 reflections on his report, noted: “The Internal Energy Market is not just a regulatory framework – it is Europe’s shield against fragmentation and price shocks.”

No single EU Member State can compete globally for energy resources. Europe’s strength lies in acting collectively and the answer to Europe’s structural disadvantages lies not in national self-sufficiency, but in deeper cross-border integration. Ultimately, Europe’s ability to remain competitive, meet its climate targets and protect consumers will depend on whether it succeeds in completing the Energy Union.



As we transition to the energy system of the future

The era in which electricity, gas or carbon markets could be treated as separable or national is over. Policy choices in one part of the energy system now have consequences across others. Given this, we must integrate our thinking as well as our markets and infrastructure.

This means going beyond using ‘sector coupling’ as a rhetorical device and planning a truly integrated energy system. It demands conceptualising our energy system as one entity: spanning geographies, vectors, end uses and timeframes. As these interactions deepen over time, decisions will only become more complex and interrelated. If we fail to reflect this into how we design and manage our energy systems now, we will struggle to adapt in the future.

Integrate by ‘28

Our proposals start from a simple premise: Europe already has most of the legal, institutional and market foundations required to create a truly integrated Energy Union.

The report contains a set of proposals to enhance, integrate and strengthen European markets, with the aim of delivering an integrated Energy Union by 2028. These proposals relate to ‘markets’ – loosely defined as the set of integrated legal, regulatory and policy frameworks for electricity, gas and carbon trading that allow Europe to manage energy

flows, emissions and investment decisions through competition and price signals at a continental scale.

As set out in chapters 2-5, which examine the energy challenges Europe is currently facing, three conclusions stand out: there is still significant work to be done; there is no ‘magic bullet’; and, critically, Europe’s response depends on the coherence and interactions between all of its actions. Therefore, in many ways, it is the whole that is greater than the sum of its parts.

The final chapter of the report addresses what may be its most critical dimension. While we may have most of the foundations to deliver an Integrated Energy Market by 2028, a central question remains: whether we have the will and the ambition to do so?

Therefore, this final chapter focuses on the culture that will be needed to turn this vision a reality – including developing a shared sense of direction, consistently implementing what’s been agreed and building a stronger partnership between policymakers and the market participants who operate in Europe’s energy system every day.

Taken together, this report demonstrates that completing the Energy Union is not a question of ambition, but of will, governance, and execution. By integrating markets rather than fragmenting them, and by relying on competition where possible, rather than intervention, Europe can turn its Single Market into a decisive strategic asset — driving competitiveness, enhancing security, delivering climate targets and protecting consumers.

Navigating the report

Precisely because Europe’s energy system must be integrated across vectors, we’ve chosen to structure the report into four chapters which reflect the challenges Europe currently faces.

These four chapters are:

Driving competitiveness through an integrated, efficient energy system	2
Securing the energy we need	3
Reaching carbon neutrality at least cost	4
Simplifying and future proofing the Energy Union	5

Within our actions tracker you can see which parts of the Energy Union a policy relates to via the simple key below:

 Gas

 Power

 Carbon

 Simplification

Completing the Energy Union is not a simple task. There are things which can and should be done immediately and things which will need slightly longer to be implemented. What is crucial is that we make progress and build momentum. Therefore, the report indicates when each proposal should, in our view, be delivered. We make no apology for being ambitious!

Driving competitiveness through an integrated, efficient energy system

2

2 Driving competitiveness through an integrated, efficient energy system

“ Currently, we are only using half the potential of our grids: it is as if Europe had 100 motorways, but only used 50, while needing 200 in the future. ”

- Dan Jørgensen, European Commissioner for Energy & Housing

Europe's competitiveness over the next few years depends on efficiently using the assets it already has. Greater integration between geographies, energy vectors and markets all have a role to play. So too does the effective integration of flexible resources, storage and demand-side response.

2.1 Unlocking the full capacity of Europe's grids

Too much cross-border capacity remains unavailable to the market, despite clear EU rules and Treaty principles of free movement. This section focuses on maximising the use of the grids which Europe already has - by enforcing existing rules, aligning tariffs and incentives, and ensuring precious public funds are deployed where they deliver the greatest system value for consumers.

2.1.1 Enforce the minimum 70% cross-zonal capacity requirement

Where we are

Under EU law, Transmission System Operators (TSO) have been required since 2019, to make at least 70% of electricity transmission capacity available to the market for cross-border trade. This requirement is not met across the EU, with only a limited number of Member States consistently achieving the target.



Where we need to be

By the end of 2026, all National Regulatory Authorities (NRA) should ensure that TSOs fulfill the minimum 70% availability requirement. This starts with TSOs stopping any restriction of capacity beyond the limits allowed in the Regulation, using all physical options to increase available capacity (e.g. dynamic line rating) and applying all remedial actions at their disposal. NRAs should also play their role by not granting blanket derogations and creating financial incentives and penalties to ensure capacity is made available to the market and that customers are compensated where this doesn't happen.

For TSOs consistently failing to deliver increased capacity, appropriate enforcement action should be taken by their NRAs, under the scrutiny of the European Commission

The result

Maximising the use of existing transmission capacity delivers immediate benefits. More power can flow across borders, increasing competition and security and making it easier to integrate larger volumes of renewable energy.

2.1.2 Ensure the existing gas network is used efficiently

Where we are

Reservation of gas network capacities is governed by a set of rules known as Capacity Allocation Mechanism Network Code (NC CAM). However, the provisions of NC CAM have become outdated and are contributing to lower network utilisation and higher costs.

Where we need to be

By mid-2026 the ongoing revision of NC CAM should be finalised by ACER and the European Commission to ensure that capacity allocation is efficient and maximises cross-border gas flows.

The result

Europe's existing gas pipelines will be used more efficiently, enhancing security of supply and creating a greater spirit of solidarity.



Figure 1

Yearly average of where the minimum 70% requirement is met on the worst performing CNEC per hour in the Core CCR



2.1.3 Focus congestion income where it adds most value

Where we are

Congestion income is generated at borders where more market participants are willing to purchase more electricity transmission capacity than there is available capacity. In 2023, German TSOs alone collected an aggregated congestion income of €1.55 billion. EU law requires that congestion income is used to guarantee the availability of already allocated capacity and to expand network capacity. However, congestion income is inconsistently used throughout the EU and is not deployed where it would have the highest added value, resulting in clear inefficiencies and missed opportunities to relieve congestion.

Where we need to be

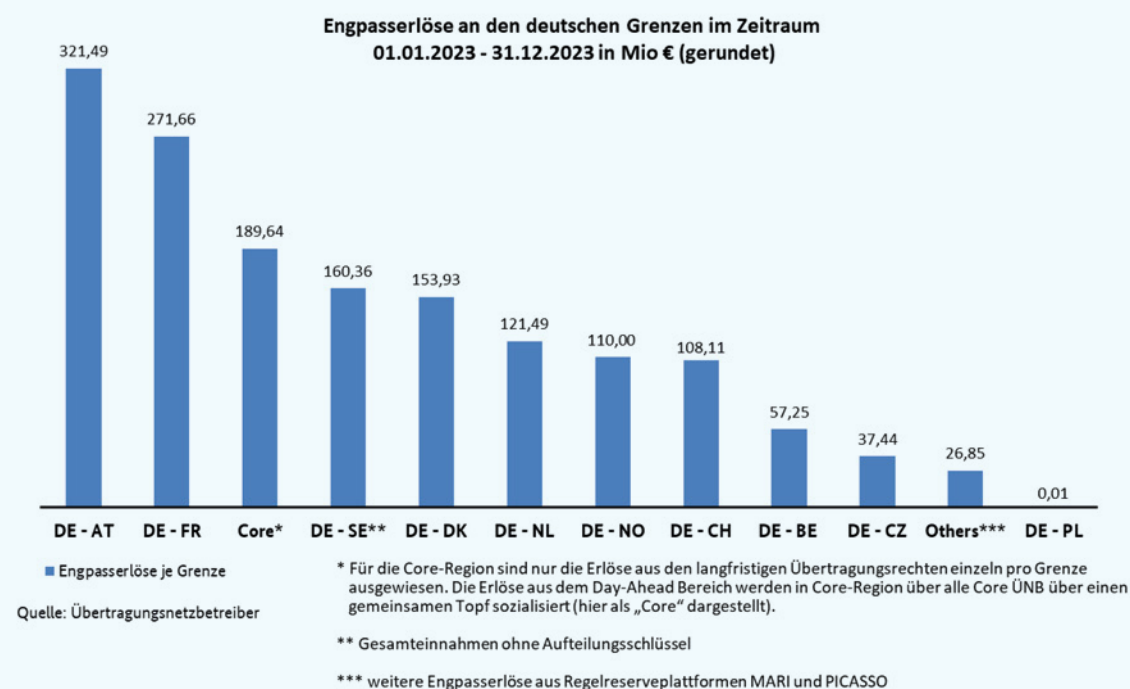
By early 2027, the European Parliament and Council of the EU should revise the Electricity Regulation and the Trans-European Networks for Energy (TEN-E) framework to ensure that congestion income not required to guarantee firm capacity is pooled at EU level and allocated to projects with the highest expected social welfare benefit, rather than being confined to individual borders.

The result

Congestion income, ultimately paid by consumers, is directed to where it delivers the greatest added value, strengthening system resilience and reducing long-term electricity costs across the EU.

Figure 2

Congestion income generated by German TSOs at borders



2.1.4 Create robust and fair rules to share the burden of network congestions

Where we are

Under the Electricity Regulation and the Capacity Allocation and Congestion Management (CACM) Regulation, common rules for sharing the cost of congestion at regional level were expected to be developed by TSOs and adopted by NRAs/ACER. Over a decade later these common rules are still contested in the Core Capacity Calculation Region (CCR), holding back many TSOs from maximising the transmission capacity allocated for cross-border trading.

Where we need to be

By mid-2027, the European Commission should ensure there is an agreement between ACER and all NRAs which creates robust and fair rules for the cost-sharing of network congestion management. Failure of ACER and the NRAs to agree should result in legislative action by the European Commission.

The result

A fair set of rules will provide the right signals for TSO investments in the grid. Down the line, this will ensure a more even distribution of the benefits of market integration between consumers throughout Europe by unlocking transmission capacity.

2.1.6 Improve the usage of gas network capacity in the CSEE region

Where we are

The phase-out of the bulk of Russian gas has seen the direction of European gas flows turn 180 degrees. A system which had operated on the basis of flows from east to west transitioned incredibly rapidly, demonstrating the strength and resilience of the system, by enabling gas to flow from west to east. This puts the markets of the Central, South, and Eastern Europe (CSEE) region furthest from the source of gas, rather than closest. As a result, the lack of integration, incomplete implementation of market rules, limited transparency and insufficient trust which, unfortunately, exists in many of these markets has a far more pronounced effect on customers. Efforts by the European Commission via initiatives such as Central and South-Eastern Europe Energy Connectivity (CESEC) are welcome, though more is needed.

Where we need to be

With a European Coordinator appointed by the European Commission for the CESEC region, coordinated efforts need to focus on full implementation of the EU acquis to integrate the region with the broader EU gas market. Products which don't comply with those rules (like Route "special capacity products") need to be phased out and regulatory independence ensured. This is a high and immediate priority.

The result

Greater confidence in the region, a gradual growth in traded volumes, a more secure and resilient system and fewer risks for customers. Laying the foundations for the effective integration of Ukraine.

2.1.7 Align the design of electricity network tariffs n of electricity networkariffs

Where we are

There is currently no consistency in the objective or design of electricity network tariffs across Europe. As a result, investment and location decisions can be driven by tariff structures, rather than the underlying value of that location, while operational decisions and cross-border trade may be distorted.

Where we need to be

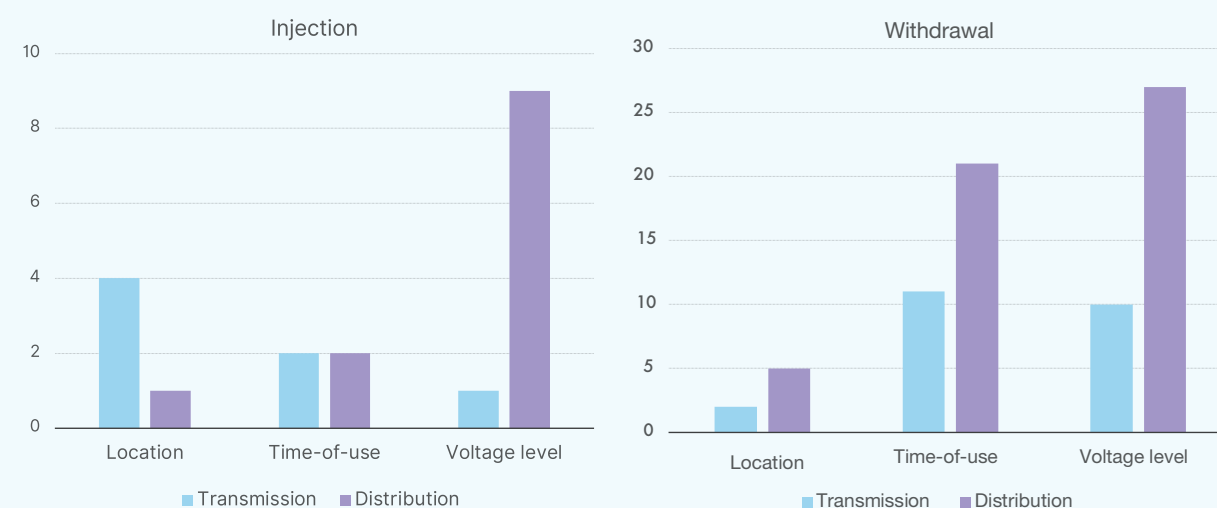
Building on recent European Commission guidance, by the end of 2028, NRAs should agree on a common purpose for network tariffs and align their structures. This should provide a basis for a practical alignment of tariff design by the end of the decade. Tariff design principles should ensure cost-reflectiveness, transparency, and non-discrimination of electricity network tariffs across the EU.

The result

Greater efficiency and a future system with lower total costs. A more stable environment making Europe an easier place to invest.

Figure 3

Number of countries applying different tariff bases for electricity injection and withdrawal



2.1.8 Strengthen the Gas Tariff Network Code to enhance stability and facilitate trade

Where we are

Rules on gas tariffs are laid out in the Network Code on Harmonised Transmission Tariff Structures for Gas (NC TAR). The amount of national discretion under the network code is undermining its ability to enhance cross-border trading, as tariffs are being calculated in very different ways, little notice of changes is often being provided and the scale of changes in tariffs can be very large. For example, several Member States have sought to recover the costs arising from measures introduced during the energy crisis (e.g. storage obligations) by increasing cross-border tariffs.

The result has been fragmentation of the market and reductions in traded volumes. This was a point made by the Czech Republic, Austria, Slovakia, and Hungary in a 2025 Energy Council discussion.

Where we need to be

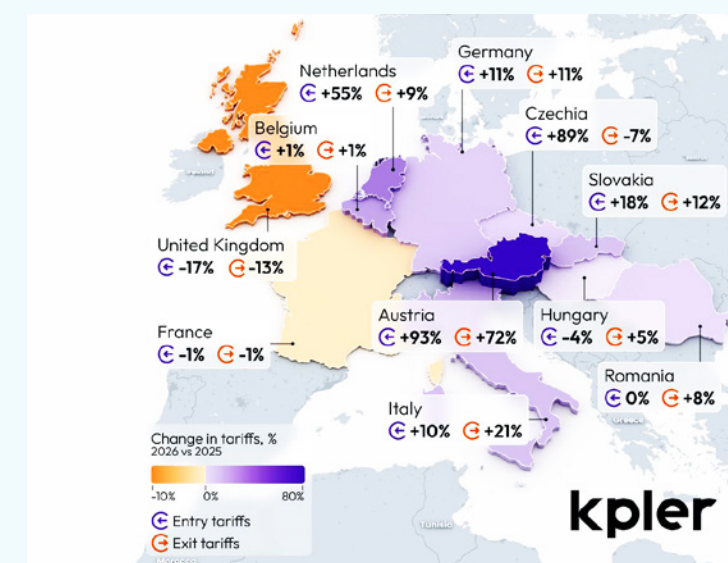
The European Commission needs to amend NC TAR by 2028 so that it provides the stability and predictability necessary to create confidence.

The result

A better utilised and less risky network – creating consequential benefits for all of Europe's policy goals.

Figure 4

Percentage change in gas transmission tariffs in 2025 and 2026



2.1.9 Improve risk management by auctioning multi-year forward transmission rights

Where we are

Long-term hedging in Europe's electricity markets remains constrained by the limited availability of forward transmission rights. This makes it difficult for market participants to hedge risk effectively, support long-term investment decisions or manage variable renewable output efficiently. These challenges lead to less investment and a higher cost of capital.

Where we need to be

By the end of 2027, all EU TSOs should conduct auctions of multi-year, zone-to-zone transmission rights, for delivery starting in 2028.

The result

Multi-year transmission rights would deepen long-term liquidity and make it easier for market participants to manage renewable output across borders, while giving developers greater certainty to invest and operate efficiently. Improved hedging capability would lower the cost of risk management and benefit consumers through more stable prices.

2.1.10 Make network connection more transparent, flexible and creative

Where we are

Access to Europe's electricity grids are under significant pressure as our electricity system is becoming increasingly decentralised. Much of the new generation capacity is renewable, flexible and local; storage develops at all voltage levels, and connection delays slow the process and undermine investor confidence.

In many cases across the EU, these challenges are exacerbated by outdated connection rules and inflexible approaches from TSOs, resulting in long connection queues, including projects that are unlikely to ever connect.

Where we need to be

- By 2026, TSOs should publish information on where network capacity is available and where the location of load (such as data centres), flexible demand or generation could reduce overall system costs.
- By 2027, TSOs should take a proactive approach to connection management, including prioritising projects based on their added value to the network.

- By 2027, TSOs should start testing new network access products, such as less-firm or interruptible access, shareable access and tradeable access, to maximise the use of existing network capacity.
- By 2028, NRAs and TSOs should align these rules, at least at regional level.

The result

A more flexible energy system that improves access to grid capacity, accelerates investment and enables more rapid decarbonisation.



2.2 Incentivising greater flexibility and demand-side participation

As Europe's electricity system becomes increasingly driven by renewable generation, flexibility and demand-side participation are essential. Equally important is creating flexibility in gas markets, by efficiently using gas storage and using flexible contracts. This section focuses on removing the remaining barriers to demand side participation, strengthening coordination between system operators and ensuring market designs and price signals reward flexibility where and when it delivers the greatest system value.

2.2.1 Adopt and implement the electricity Demand Response Network Code and enhance coordination and data sharing between TSO and DSOs

Where we are

Demand-side response is a critical tool for Europe's electricity markets, yet significant barriers remain. The European Commission's impact assessment for the Network Code on Demand Response highlights persistent challenges around access to timely, accurate data and effective information exchange. In parallel, coordination between TSOs and Distribution System Operators (DSO) remains limited.

This lack of coordination constrains efficient access to distributed generation, storage and demand response and limits the system's ability to use flexible assets and services effectively across grid levels.

Where we need to be

The Network Code on Demand Response should be adopted by the European Commission by mid-2026 and fully implemented by the end of 2028, supported by a structured review to identify any gaps and ensure effective coordination and data sharing between TSOs and DSOs in practice.

The result

A clearer, more aligned set of market rules and enhanced TSO-DSO coordination – all of which should reduce risk for investments in distributed generation and demand side response.



2.2.2 Complete the integration of EU electricity balancing platforms (PICASSO, MARI)

Where we are

Europe's balancing markets remain incomplete, with uneven Member State participation limiting cross-border participation, weakening competition and preventing flexible resources from being used where they deliver the most value. However, for the PICASSO platform, six out of 24 participating TSOs remain outside its scope, while for MARI just 11 of 29 TSOs are currently participating.

Where we need to be

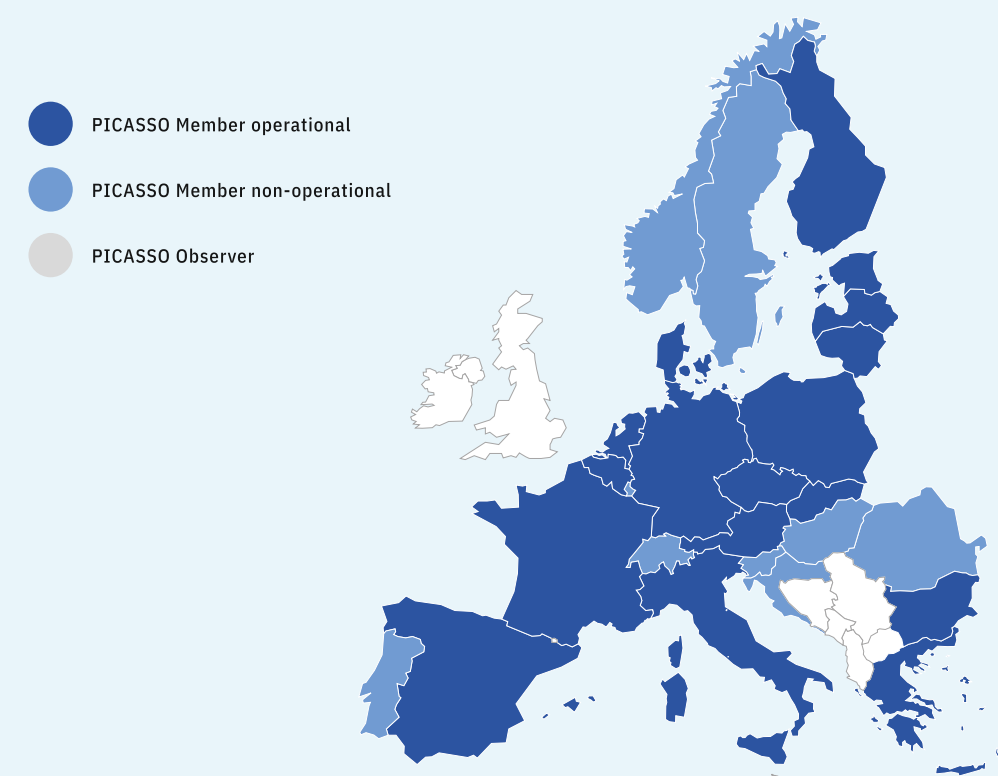
All TSOs should join EU balancing platforms such as PICASSO by the end of 2026 to unlock the benefits of integrated balancing markets, with all TSOs joining MARI by mid-2027.

The result

Full participation in balancing markets leads to lower system costs for consumers and supports the integration of renewable generation by enabling low-carbon flexibility to respond efficiently to system imbalances. In the case of PICASSO alone for example, full participation is expected to result in € 1.3 billion of annual welfare gains.

Figure 5

PICASSO implementation project (as of July 2025)



Where we are

Temporary EU gas storage obligations were introduced in 2022 and have been extended to the end of 2027. As illustrated in figure 6, while summer gas storage remains above historical averages, peak/winter storage levels are below 2017-2020 levels. This is in part due to the fact that mandated storage and intermediary targets artificially inflated summer demand, pushing up prices for consumers. At the same time, this shift in demand eliminated the price difference that was typically observed between summer and winter, discouraging commercial use of these facilities.

Where we need to be

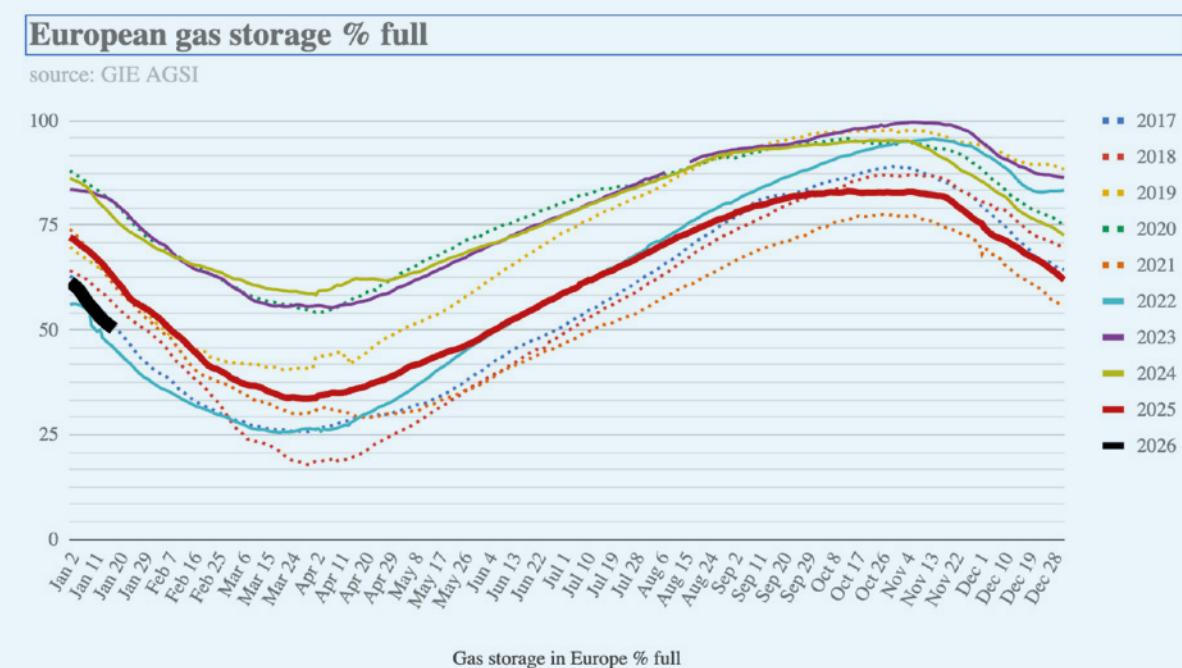
During the 2026 review of the Gas Storage Regulation, the European Commission should signal its intention to allow the Regulation to lapse at the end of 2027, reverting to a market-led framework under normal conditions.

The result

A greater responsiveness to market conditions and storage filling in a more cost-efficient manner.

Figure 6

EU gas storage levels remain high compared to historical averages



2.2.3 Ensure local markets are part of an integrated Europe wide market design

Where we are

“Local markets” for energy or capacity provided by a service provider to a TSO or DSO are emerging across Europe, which is a positive development. These markets are being implemented through different platforms and algorithms, operated by a range of providers and designed in diverse ways. This creates opportunities to innovate and learn through practice, but also carries the risk of market fragmentation and isolation. Markets operating at different geographic levels, be it local, national, regional and EU-wide, should be able to interact effectively to minimise system costs.

Where we need to be

By the end of 2027, the European Commission and co-legislators should ensure that local market design is consistent with the wholesale market, enabling flexible assets and services to be optimised across geographies.

The result

A genuinely system-wide approach which underpins a flexible, decarbonised future energy system.

2.2.4 Reflect the true value of scarcity in electricity imbalance prices

Where we are

Imbalance prices are the prices market participants pay when they fail to deliver the volumes they have committed to. How these prices are calculated matters, because it determines how strong the incentive is to remain in balance or contribute to overall system balance. Imbalance pricing therefore strongly influences the willingness to trade across all markets ahead of real time. At present, the methodology designed to harmonise imbalance prices remains underdeveloped, and imbalance price structures vary significantly from one country to the other.

Where we need to be

By the end of 2028, a truly harmonised imbalance pricing methodology should be fully implemented across the EU, based on the value of lost load – the real cost faced by customers when electricity is not delivered. This needs to be driven by ACER and NRAs based on a proposal from TSOs.

The result

Flexible resources become more valuable and investment in them more attractive. The electricity system becomes more flexible more quickly, reducing long-term system costs by levelling the playing field across the EU.

Securing the energy we need

3

3 Securing the energy we need

“ Investors and suppliers need clarity. Europe must send stable, predictable signals if it wants to secure gas and LNG in the years ahead. ”

- Christian Zinglensen, Former ACER Director

As a continent which does not benefit from large amounts of fossil fuel resources, Europe needs to ensure it can access the energy it needs. In the short-term this means being an attractive destination for global Liquefied Natural Gas (LNG) cargoes as we phase out the last Russian gas from the system and make full use of the electricity resources we have. In the medium term, it's about expanding the size of the Internal Energy Market, accelerating towards our decarbonisation ambitions and building European markets in biomethane and low carbon gases.

3.1 Attracting supplies in a global market

Completing the phase out of Russian gas in the short term depends on Europe's ability to attract global supply through clear, predictable rules, including under the Methane Regulation. This section focuses on removing uncertainty and facilitating access to a global market in which prices are expected to fall in the coming years.

3.1.2 Issue clear guidance to make the authorisation processes for non-Russian gas as robust as possible

Where we are

The EU has passed legislation to permanently end the import of Russian gas (the so-called RePower EU framework). The legislation contains a prior authorisation regime for imports, and an exemption system for trusted partners. In simple terms, this means that gas coming from trusted parties will be deemed non-Russian in advance and gas coming from countries which are not on that list will be subject to national authorisation processes – intended to be completed within 5 days. As it stands, precise rules on pre-authorisation have not been detailed and there is a chance that they will differ between countries within Europe. This creates a layer of risk which can lead to conservative procurement strategies.

Where we need to be

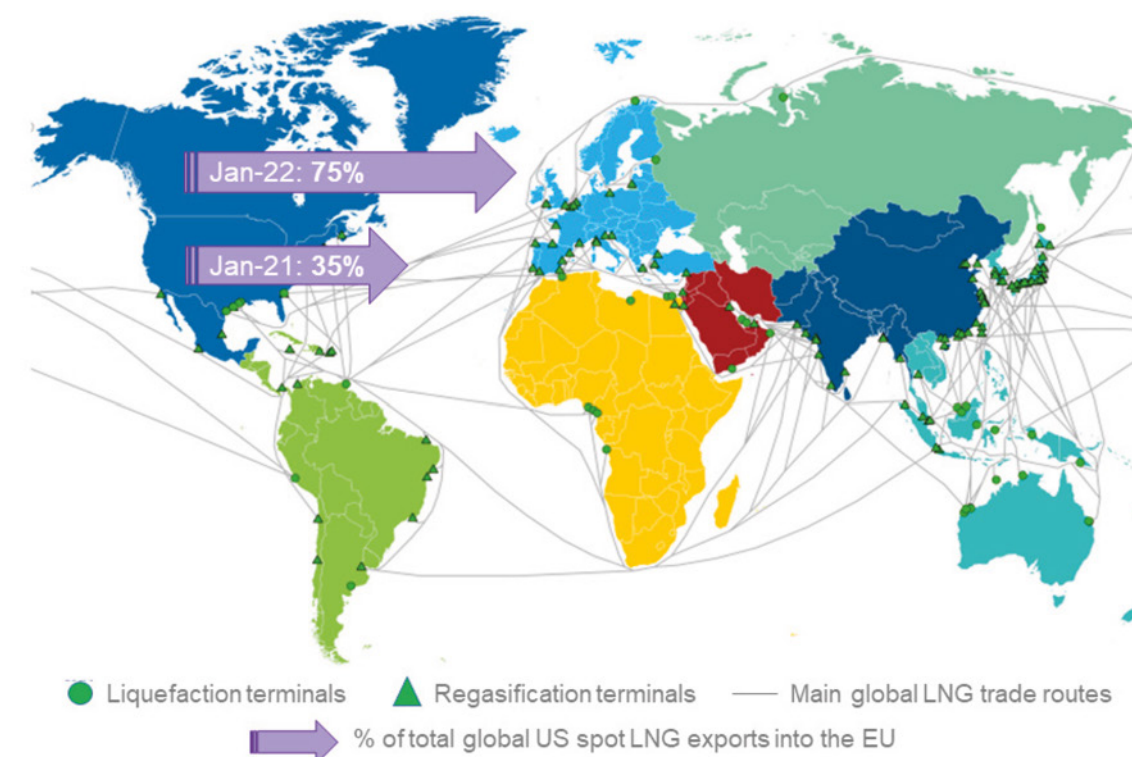
By mid-March 2026, the European Commission should ensure that national authorisation procedures are as clear and consistent as possible. It should strive to align, simplify and clearly communicate details of the regimes to all potential importers.

The result

More flexibility and less risk that an administrative delay, or a concern about an administrative delay, creates a disincentive to import gas into Europe.

Figure 7

Global LNG shipping routes



3.1.3 Amend the Methane Regulation to access global LNG supply

Where we are

At the same time as Europe is phasing out Russian gas, the global gas market is experiencing a downward trend in prices with a substantial wave of new LNG supply coming online. This creates an opportunity for Europe to benefit from competitively priced non-Russian gas. However, as outlined by ACER in a recent report, the EU Methane Regulation (EUMR) “could lead to reduced supply options for the EU and increased costs for compliant LNG, potentially presenting short-term risks for Europe’s energy security”. This stems from new obligations for companies to provide information on imported volumes that either do not exist or are not accessible to them.

Where we need to be

By March 2026, the European Commission should suspend the implementation of the EUMR and refrain from penalising companies until they are provided with the tools which enable them to demonstrate that they comply. To achieve that, the European Commission should propose a revision of the EUMR along with guidance for implementation by the end of 2026.

The result

This approach preserves the EUMR’s climate objective while ensuring Europe can fully benefit from falling international gas prices.

3.1.4 Supplement the Russian gas phase out with a ban on Russian entities holding LNG terminal capacity

Where we are

Under the ban on imports of Russian LNG, capacity that should be freed-up may remain inaccessible due to long lead times for termination under force majeure clauses in contracts. In addition, in several cases the rules that require unused terminal capacities to be returned to the market are weak. This limits Europe’s ability to absorb non-Russian LNG, just as global supply expands and prices fall.

Where we need to be

By March 2026, the European Commission should propose supplementing the existing ban on Russian LNG imports with a ban on provision of terminal services to Russian entities; potentially implemented as part of the 20th sanctions package.

The result

The rapid release of LNG infrastructure capacity enhances security of supply and reduces the risk of price spikes by improving access to global supply.

3.2 Making best use of Europe’s resources

As well as being attractive internationally, we need to maximise domestic resources. In electricity this means a much more integrated and cost-effective approach to planning and procuring new capacity and a set of market rules which can work for the areas, such as the Northern Seas, where huge amounts of future resources will be located. In gas it means making full use of Europe’s biomethane potential.

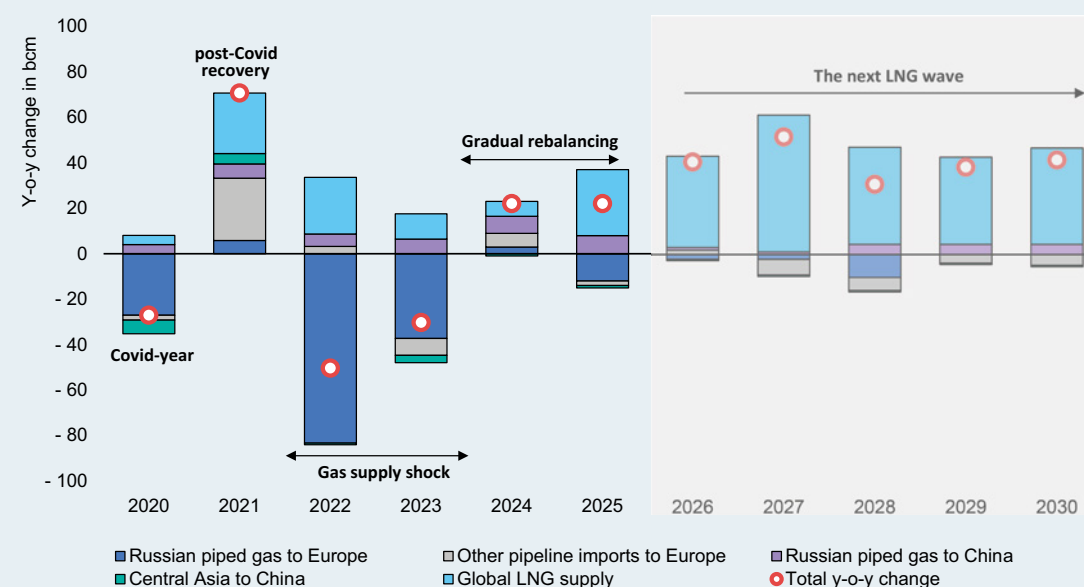
3.2.1 Integrate capacity remuneration mechanisms across borders

Where we are

When designed, the Internal Energy Market did not include capacity remuneration mechanisms. Since that time many Member States have chosen to introduce different mechanisms to ensure electricity capacity adequacy. Designs vary, systems are exclusively national (though adequacy assessments have become more regional), externalities have cross-border implications and prices have been rising. In fact, capacity mechanism prices have more than doubled since 2020. The prices paid for capacity can also vary up to ten-fold across Member States, with total costs for capacity mechanisms across the EU now standing at approximately. €6.5 billion per year.

Figure 6

Global gas supply shifts from shock to surplus as new LNG capacity drives post-2026 price easing



Where we need to be

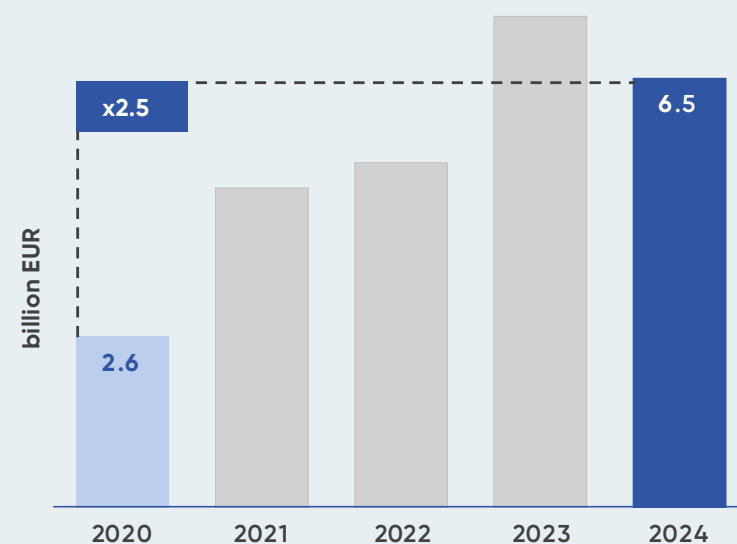
By the end of 2028, the European Commission should present a proposal to the European Parliament and Member States to integrate existing capacity mechanisms by aligning their design and procurement more closely at regional level, building on existing regional adequacy assessments.

The result

Europe could deliver the same, or a greater, level of security of supply at lower total system cost. By reducing duplication, avoiding inefficient over-procurement and enabling capacity to compete across borders, integration would lower costs for consumers, improve long-term price signals and strengthen system resilience.

Figure 9

The cost of capacity mechanisms more than double from 2020 to 2024, detailed within ACER's Security of EU electricity supply monitoring report



3.2.2 Agree a target model for European biomethane trading

Where we are

Today, there is no common European trading model for biomethane. Rather, European energy regulators have noted there is “a diversified landscape of different mechanisms across Member States which could lead to a fragmented European biomethane market”, and we see this already having an impact with negligible cross-border trade. The EU has set a non-binding target of producing 35 bcm of biomethane by 2030, yet by the end of 2024, the installed biomethane production capacity in the EU reached just 7 bcm.

Where we need to be

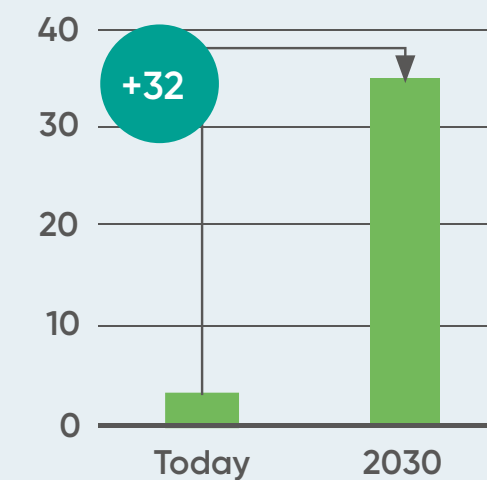
The integration of gas and power markets in Europe was guided by agreeing, and then implementing, a target model. We need to do the same for biomethane, using the principles of the gas market as our starting point. This should be done by the end of 2026 with the European Commission leading a cross-industry initiative.

The result

Greater predictability for producers, traders and offtakers and swifter progress towards the 35bcm target.

Figure 10

From 3 bcm biomethane production today to 35 bcm EU-27



3.2.3 Allow renewable gas imports to contribute to the EU biomethane target

Where we are

It is either difficult or impossible to import biomethane into Europe in 2026. This is largely because of the design of national support schemes and a lack of rules governing the access of third countries to the Union Database (UDB). Given the ambition of the 35bcm target – and the potential for countries like Ukraine to play a large role in this sector – this will reduce the likelihood and increase the cost of meeting the target.

Where we need to be

By the end of 2026, the European Commission should clarify its policy positions on imports, agreeing they can play a role in growing the biomethane market. The UDB should be amended to deliver this goal as soon as possible.

The result

The 35bcm target is met at lower cost. A Europe-wide market develops faster.

3.2.4 Ensure our market design can unlock offshore wind in the Northern Seas

Where we are

Estimates suggest up to 300 GW of wind may be connected offshore by 2050, 100 GW of which through cross-border cooperation projects. At the recent North Sea Summit, Commissioner Jørgensen referred to offshore wind as: “Europe’s path to true independence”. Many argue that the EU will not hit its climate goals at all, and certainly not in a cost effective way, if we fail to build this capacity. However, there is no clarity on how an integrated offshore network, which would see energy flowing between the nine countries bordering the Northern Seas, could be planned, operated, funded or governed. There is therefore a pressing need to clarify, and design, a single set of rules.

Where we need to be

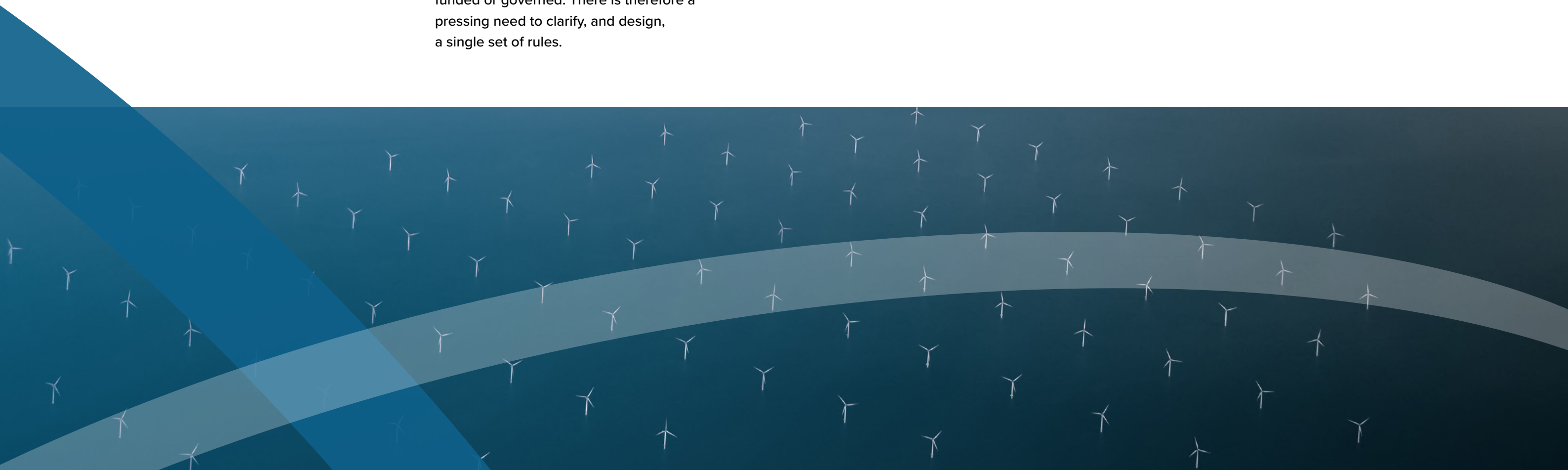
Offshore developments in the Northern Seas must pave the way for a common market design and regulatory framework across the area. While much work has been done via the North Seas Countries’ Offshore Grid Initiative (NSCOGI), now is the time to super-charge that initiative and back it by legislation to remove barriers if necessary. The European Commission and ACER need to convene an industry working group to make an integrated offshore network feasible by 2028.

The result

A huge stride towards meeting our decarbonisation ambitions, lower levels of support paid out, a more secure and resilient system and the foundations for the energy system of 2035 and beyond.

3.3 Expanding the Internal Energy Market

Delivering affordable, secure and low-carbon energy at scale requires markets that extend beyond national borders and make full use of Europe’s interconnected system. In practice, this means ensuring that neighbouring markets which are physically integrated with the EU can also participate in common market arrangements. This section focuses on extending market integration with key partners.



3.3.1 Implement the EU-Switzerland Electricity Agreement

Where we are

After almost a decade of negotiations, the EU and Switzerland reached and signed an Electricity Agreement in 2025. However, Switzerland remains outside the Internal Electricity Market until the agreement is ratified and implemented, creating unnecessary costs for market participants. Swift ratification is essential to allow implementation to begin and to deliver the benefits of full integration.

Where we need to be

The Electricity Agreement should be ratified by the European Parliament and Swiss Federal Assembly by mid-2026. It should then be swiftly integrated within Swiss law by the end of 2026.

The result

Full Swiss integration into the Internal Electricity Market will strengthen cross-border trade and boost security of supply.



3.3.2 Restore efficient EU-UK electricity trading arrangements

Where we are

There are nine electricity interconnectors between the EU and Great Britain, capable of powering approximately 27 million homes across the EU. However, following Brexit, Great Britain left both the Internal Energy Market and Single Day Ahead Coupling (SDAC). The move to explicit coupling and local auctions, rather than implicit coupling, has led to under-use of interconnectors. Weaker price convergence has reduced the efficiency of cross-border trade, resulting in higher costs for consumers, with estimated welfare losses of around €50 million every year.

Where we need to be

By the end of 2026, the EU and United Kingdom (UK) should have concluded negotiations on an EU-UK Electricity Arrangement to restore participation in EU trading platforms in all timeframes.

The result

More efficient use of the interconnection between the EU and Great Britain will let electricity flow more efficiently to where consumers need it and strengthen security of supply in the EU and Great Britain by enabling access to a wider pool of generation, storage and demand. This will be particularly important for the island of Ireland, while also supporting the integration of larger volumes of offshore renewable generation.

3.3.3 Prioritise the integration of Ukraine into EU electricity and gas markets

Where we are

Ukraine's desynchronisation from the Russian grid and synchronisation with the EU system in 2022 was a remarkable achievement. The logical next step, for both gas and electricity, is to integrate Ukraine into the Internal Energy Market. This goes far beyond energy policy alone: market integration would support Ukraine's reconstruction and strengthen its long-term security. It is estimated that due to an underutilisation of cross-border capacity with EU Member States, €487 million in annual welfare gains are lost for Ukraine, reinforcing the economic value of deeper integration.

Where we need to be

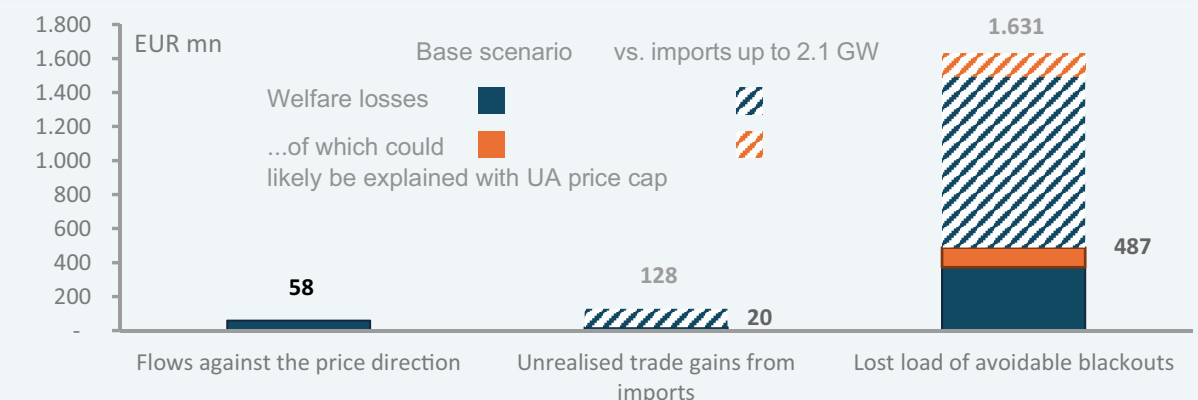
By mid-2026, the Ukrainian Parliament should adopt its Electricity Integration Package. By mid-2027, the European Commission and the Energy Community should agree on a roadmap for Ukraine's phased integration into EU electricity and gas markets.

The result

Integrating Ukraine into the Internal Energy Market will deliver substantial welfare gains to support reconstruction while strengthening the EU's security of supply by leveraging Ukraine's gas storage, pipeline infrastructure and future renewable gas potential.

Figure 11

From Estimated welfare losses resulting from inefficient cross-border electricity trade between Ukraine and the EU



3.3.4 Integrate the Energy Community contracting parties into EU electricity markets

Where we are

Over the past decade, the EU and the Energy Community have worked to integrate the Western Balkans into the Internal Electricity Market. While progress has been made on the transposition of EU rules, it has been slower than initially envisaged. The introduction of the Carbon Border Adjustment Mechanism (CBAM) from 1 January 2026 has made the need for deeper and timely market integration more pressing.

Where we need to be

Full market coupling by mid-2027 between the EU and early-mover Energy Community contracting parties like Serbia and Moldova. Full transposition of the EU energy acquis throughout the Energy Community should be finalised by 2028.

The result

Full market coupling with the Energy Community would deliver social welfare gains by enabling efficient cross-border trade, strengthening security of supply, reducing reliance on Russian fossil fuels and lowering costs for consumers. Accompanied by carbon pricing mechanisms, they will also be exempt from CBAM electricity imports from the Energy Community to the EU.

Reaching carbon neutrality at least cost

4



4 Reaching carbon neutrality at least cost

“The energy transition is not a cost; it is an investment in a more competitive and modern economy.”

- Teresa Ribera, Executive Vice President for a Clean, Just

It is vital that Europe delivers on its decarbonisation goals and that it does so in the most efficient way possible. This chapter sets out how Europe can use markets more effectively to deliver cost-effective decarbonisation. It focuses on strengthening carbon and power price signals, enabling long-term contracting and hedging, scaling flexibility and storage, and ensuring that policy frameworks remain technology-neutral and investment-friendly.

4.1 Strengthening the ETS

The EU Emissions Trading Scheme (ETS) is the centre-piece of European decarbonisation policy and should remain at its core. As the carbon price becomes an increasingly central driver of investment decisions, its design must support liquidity, stability and long-term confidence. This section therefore focuses on the practical steps needed to strengthen and expand the EU ETS.

4.1.2 Ensure the ETS is the primary driver of decarbonisation

Where we are

The sectors covered by the EU ETS have experienced a 50% reduction in greenhouse gas emissions between 2005 and 2024. However, calls are now being made to extend the duration of free allowances, use the market reserve beyond 2031 and even to pause the application of the Directive. Such proposals weaken incentives for decarbonisation, penalise early movers in emissions reductions and will limit the EU's ability to meet 2030, 2040 and 2050 climate targets.

Where we need to be

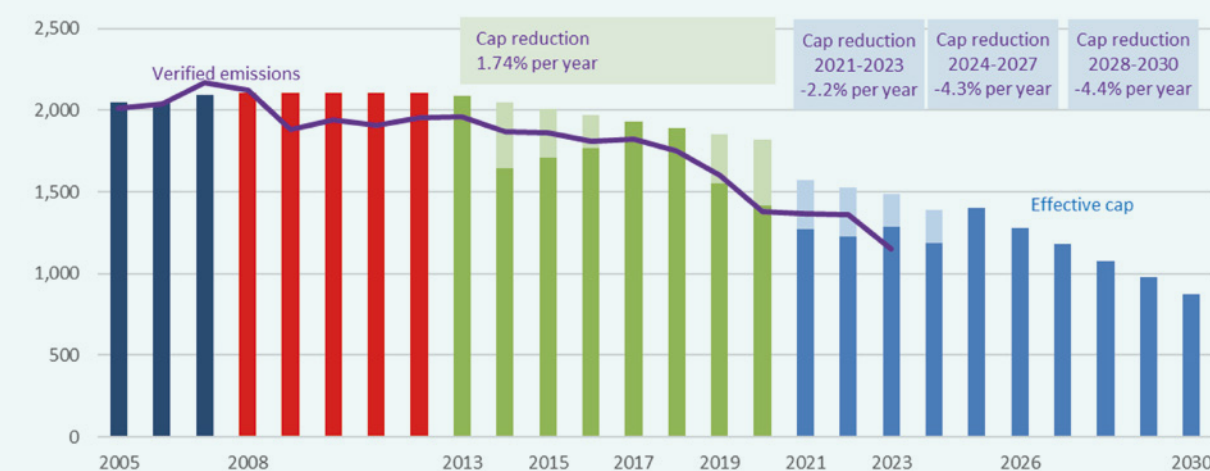
In the 2026 review of the ETS Directive, the European Commission and co-legislators should maintain the planned phaseout of free allowances, the wind-down of the Market Stability Reserve (MSR) and strongly resist calls to pause its application.

The result

Continuing to drive decarbonisation on pre-agreed trajectories will build investor confidence, support long-term decarbonisation and protect the efficient functioning of EU emissions markets.

Figure 12

Delivery of ETS on verified emissions reductions over time



4.1.3 Integrate carbon removals into the ETS

Where we are

The Intergovernmental Panel on Climate Change (IPCC) is clear that carbon removals will be a prerequisite for a net zero economy. However, the ETS Directive precludes the use of carbon dioxide removal (CDR) technologies (e.g. DACCS and BECCS) for compliance purposes. This poses challenges both from a climate mitigation and technological development perspective.

Where we need to be

Following its mid-2026 review, the European Commission and co-legislators should amend the ETS Directive in 2027 to include CDR technologies.

The result

A regulated carbon removals market will ensure that the EU can meet higher emissions reductions, provide flexibility to businesses seeking to decarbonise and spur investments into clean tech providers.

4.1.4 Ensure a stable and clear CBAM framework applies to electricity imports into the EU

Where we are

The Regulation on a Cross-Border Adjustment Mechanism (CBAM) imposes a carbon contribution as of 1 January 2026 to electricity imports into the EU, in order to match the EU ETS price paid by electricity producers inside the Union.

While the European Commission adopted a series of last-minute implementation rules in December 2025, the whole set of implementation rules and guidance is yet to be finalised. In parallel, a review of the Regulation is also ongoing.

Where we need to be

The European Commission should adopt, by mid-2026 at the latest, the remaining implementing rules for CBAM such as those on the calculation of the carbon price already paid outside the EU that can be discounted from the CBAM duties of importers, or the sale and repurchase of CBAM certificates. It should also provide all the necessary guidance for custom authorities and market participants such as on the treatment of electricity transits, or reporting formats. The European Commission also should speed up in 2026 the negotiations on the review of the CBAM Regulation, including with regard to the calculation of the CO₂ emission factor, for an adoption by early 2027.

The result

Clarifying and stabilising the CBAM framework will ensure the EU attains the competitiveness objectives of the Regulation, while continuing to support decarbonisation of the electricity sector in neighbouring countries. The earlier the framework is clarified, the sooner electricity flows will be optimised again for the benefit of consumers.

4.1.5 Progress with the expansion of the ETS to heating and transport

Where we are

The EU ETS II is designed to support Member States in meeting their 2030 Effort Sharing Regulation obligations and 2040 climate targets. However, EU institutions have recently agreed a one-year delay to the application to the legislation. Short-term this will reduce the incentive for immediate heat and transport sector decarbonisation, while medium-term, this will damage investor confidence and hamper the EU in meeting its 2030 and 2040 Climate Law objectives.

Where we need to be

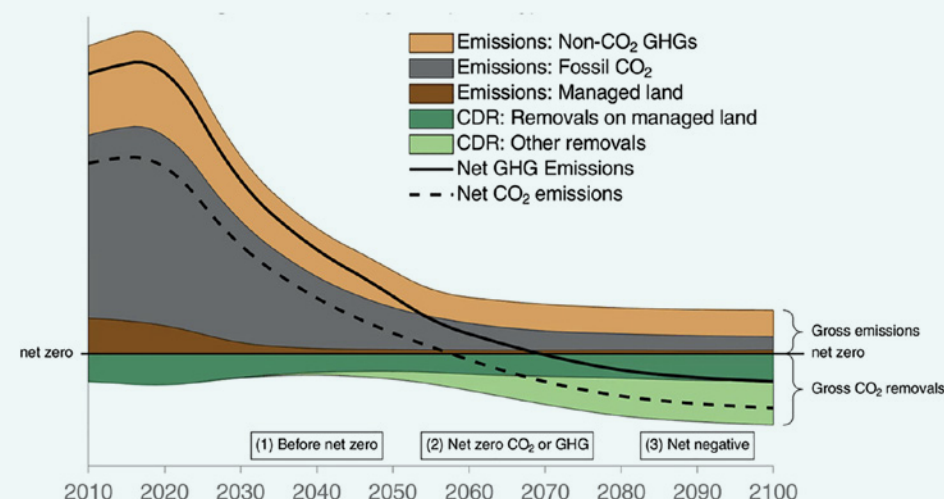
In 2027, the European Commission and co-legislators should ensure no further delays are applied to ETS II, with application taking effect by 2028.

The result

Immediate incentives for investments in cost effective decarbonisation options such as building renovations and low-emissions mobility.

Figure 13

The path to a net zero economy requires carbon removals



4.1.6 Link the EU ETS with the UK ETS

Where we are

The EU and UK operate near-identical cap-and-trade emissions systems. As these schemes operate independently, they increase compliance costs for businesses, lead to unnecessary price volatility in each market and increase the overall emissions abatement costs for heavy industries.

Where we need to be

The EU and UK should conclude an agreement on linking ETS regimes in 2026, with linked regimes becoming operational from 2027.

The result

Expanding the size of the EU ETS, through explicit linkage with the UK would provide more stable allowance prices and could reduce transaction costs by up to €770m by 2030.



4.1.7 Align the EU ETS with the Energy Community members and avoid CBAM costs

Where we are

This report has already covered the Energy Community contracting parties preparations to join Europe's electricity market. However, imports to the EU from the Energy Community are now subject to CBAM. For electricity imports alone, EU importers would have been eligible for over €1 billion of CBAM costs in 2024. An option remains open to Energy Community contracting parties to waive CBAM if they implement ETS-aligned carbon pricing when they join the EU's electricity market coupling.

Where we need to be

Energy Community contracting parties should establish ETS-aligned carbon pricing regimes by the end of 2028, to ensure electricity imports from the Energy Community into the EU are excluded from CBAM once they join the EU's electricity market coupling.

The result

Lower cross-border power prices for EU Member States importing for Energy Community countries and stronger investment signals for low-carbon and renewable generation assets in Energy Community countries.



Figure 14

Estimated CBAM-related costs faced by EU importers for electricity imports from Contracting Parties (excluding Ukraine), by Member State, 2024

EU Member State bordering Contracting Party(ies)	Import + Transit Contracting Party - > EU (MWh)	Average annual marginal CBAM price per MWh (EUR/MWh)	Total annual CBAM cost for EU importers (EUR)
Bulgaria	3,458,813	64.48	223,022,476
Greece	3,212,139	35.05	112,578,074
Croatia	3,415,589	70.81	241,874,429
Hungary	3,183,581	65.58	208,768,571
Italy	3,042,090	62.45	189,982,787
Romania	2,918,839	65.47	191,105,594
Total			1,167,331,931

4.2 Markets and policies to deliver cost-effective decarbonisation

Decarbonisation is fundamentally changing how Europe's energy system operates, increasing the need for flexibility, real-time responsiveness and efficient risk management. However, existing market rules were largely designed for a more predictable, centralised system and are not always fit for purpose as renewable generation, distributed resources and cross-border trade expand. This section sets out how targeted market design reforms can ensure electricity and gas markets continue to function efficiently in a decarbonised system.

4.2.1 Shorten the intraday gate closure time for cross-border transactions in electricity

Where we are

In electricity Intraday markets are critical for managing short term changes and uncertainty, such as fluctuations in wind output, and trading volumes are growing rapidly. As renewable generation expands markets must operate closer to real time so participants can adjust positions in response to rapidly changing system conditions. The 2024 Electricity Regulation mandates that from 1 January 2026, intraday cross-zonal gate closure time is no more than 30 minutes ahead of delivery. However, only half of Europe's TSOs have met this deadline, the other having often been granted the maximum three-year derogation by their NRA.

Where we need to be

By mid-2026, all TSOs benefiting from a derogation to the 30-minute cross-zonal gate closure time in intraday should publish a clear action plan to speed up the transition. By the end of 2027, in line with the Electricity Regulation, the Commission should publish a proposal to shorten the gate closure time to 5 minutes.

The result

Trading closer to real time will enable markets to use the most accurate forecasts and makes Europe's electricity system more responsive, efficient and better suited to high shares of variable, low-carbon generation.

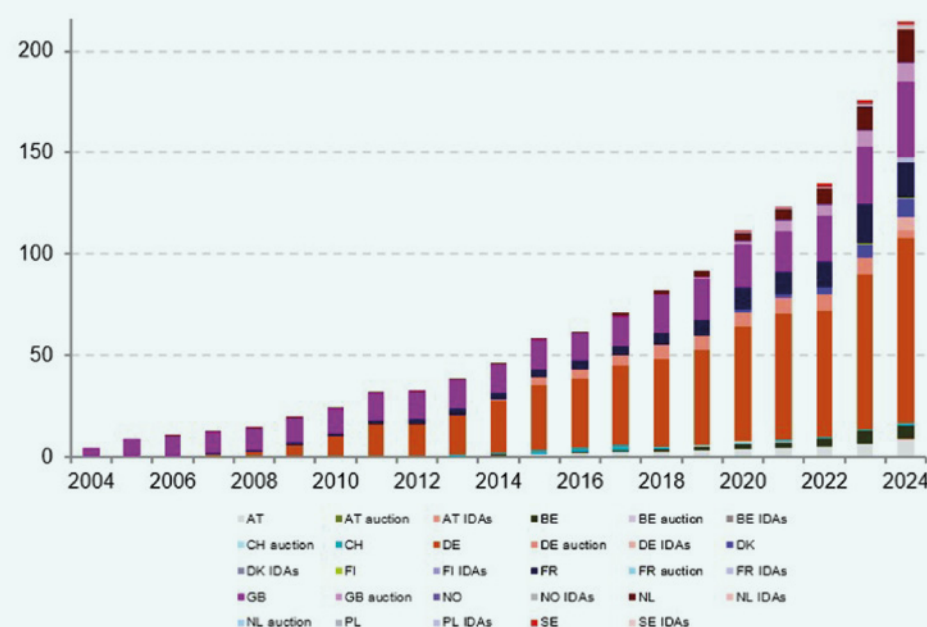
4.2.2 Harmonise the design of Contracts for Difference

Where we are

Electricity production in the EU is now dominated by renewables and nuclear (see figure 16). Under the revised Electricity Regulation, two-way Contracts for Difference (CfD) become mandatory for offering direct price support to renewable and nuclear generators. CfDs can lower the cost of capital and complement a competitive wholesale market, but, at present, CfD schemes across the EU are being developed almost exclusively at national level, with little consideration for cross-border impacts. This serves to crowd-out private investments, insulate supported generators from responding to scarcity signals and dispatch decisions, and increase power prices for end-users.

Figure 15

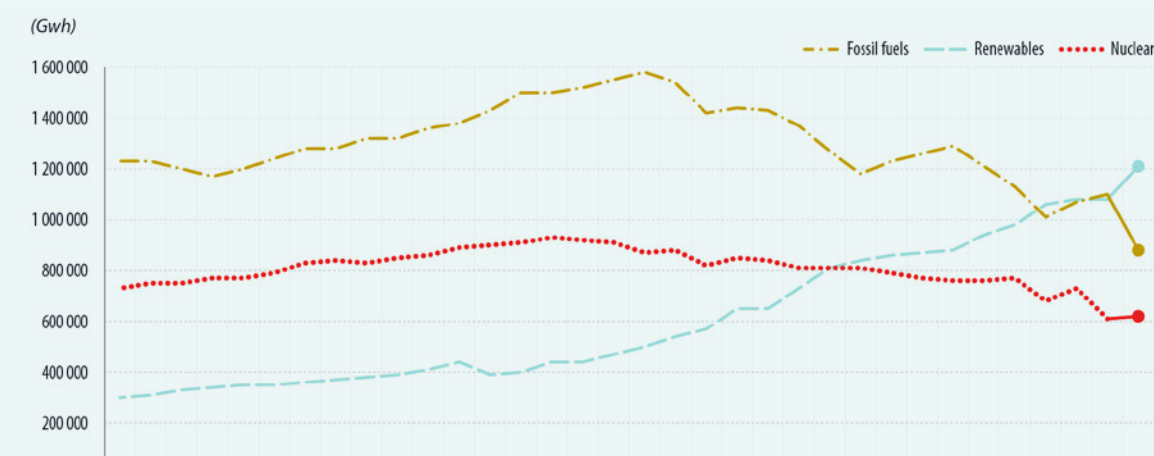
Traded volumes of the Intraday markets from 2000-2024



The markets are interconnected via Single Intraday Coupling (except for CH and GB)

Figure 16

Electricity production in the EU, 1990-2023



Where we need to be

Following the publication of its guidance on CfDs in December 2025. The European Commission should use its full powers of ex-ante compliance verification to further harmonise the design of CfDs. All new CfD schemes should be fully aligned with the Commission guidance by mid-2027, mandate bidding into electricity markets, and suspend support in the event of negative prices.

The result

Predictable investment signals for new generators, a level-playing field across the EU, limited redispatch costs and lower congestion charges at borders, all of which will ensure competitive power prices for consumers.

4.2.3 Transition towards EU-wide support schemes for biomethane

Where we are

One of the reasons for the very low volumes of cross-border trade in Europe is the design of national support schemes. National schemes often seek to either restrict exports or require obligations to be met with domestic production. The result is complex rules, limited trade and higher costs.

Where we need to be

By the end of 2026, through the revision of the Renewable Energy Directive (RED), Member States should be required to ensure that their national schemes and related targets, whenever deemed necessary, do not constitute a barrier to cross-border trade. By 2028, we should see the first regional support mechanisms.

The result

A quicker development of a biomethane market and lower overall costs of decarbonisation.

4.2.4 Align and simplify biomethane certification schemes

Where we are

European rules on certifying the sustainability of biomethane have been agreed under RED III. However, they are implemented inconsistently across Member States. This results in fragmented, national markets where cross-border trade is not possible. The process of establishing a UDB, which could help in addressing this problem, has seen repeated delays.

Where we need to be

By the end of 2026, Member States supported by the European Commission need to implement the requirements of RED. We need to be in a position where the sustainability credentials of biomethane can be required on a standardised certificate which is recognised across the continent.

The result

A greater chance of Europe becoming a key player in biomethane, greater trust for consumers and, ultimately, a reduction in the cost of decarbonisation.

4.2.5 Update the green hydrogen delegated act

Where we are

In the two years since the adoption of the Delegated Act for Renewable Fuels of Non-Biological Origin (RFNBO), the European Commission has allocated €20 billion to green hydrogen investments, and yet prices remain four times higher than conventional hydrogen using fossil gas. The EU has set itself a target of 10 million tonnes of renewable hydrogen production by 2030, and by 2050, modelling indicates renewable hydrogen needs to reach

approximately 30% of the EU's gas market. However, restrictive rules under the RFNBO Delegated Act mean that green hydrogen costs will remain prohibitively high for potential off-takers.

Where we need to be

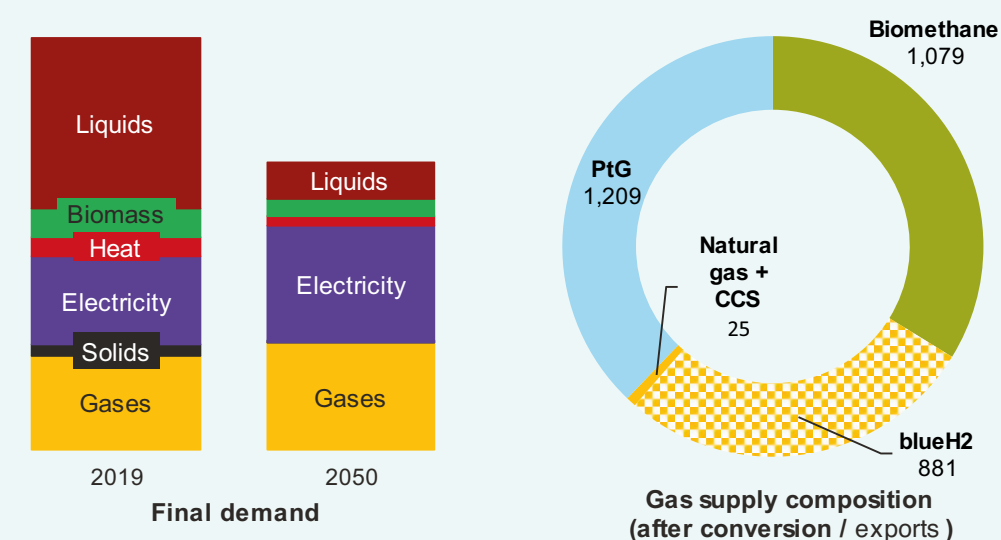
Through the 2026 revision of RED, the European Commission should propose a relaxation of the rules pertaining to RFNBO production.

The result

The result will be lower costs for potential off-takers, a kick-start to Europe's struggling hydrogen sector and a new revenue stream for renewables developers struggling amidst supply chain inflation.

Figure 17

Optimal gas supply mix in final energy demand (EU27 2050, Baseline high renewable gases, TWh)



Source: Frontier Economics

4.2.6 Ensure all barriers to the uptake of PPAs are removed

Where we are

Power Purchase Agreements (PPA) are an increasingly important tool for renewable investments and long-term price hedging. However, their uptake remains uneven across the EU due to national regulatory and administrative barriers that create complexity and uncertainty for potential offtakers.

Where we need to be

In early Q1 2026, the European Commission should complete its first biannual assessment of barriers and transparency in PPA markets. Crucially, this exercise should be extended beyond energy-specific rules to ensure that EU financial market rules do not inadvertently stifle energy goals.

The result

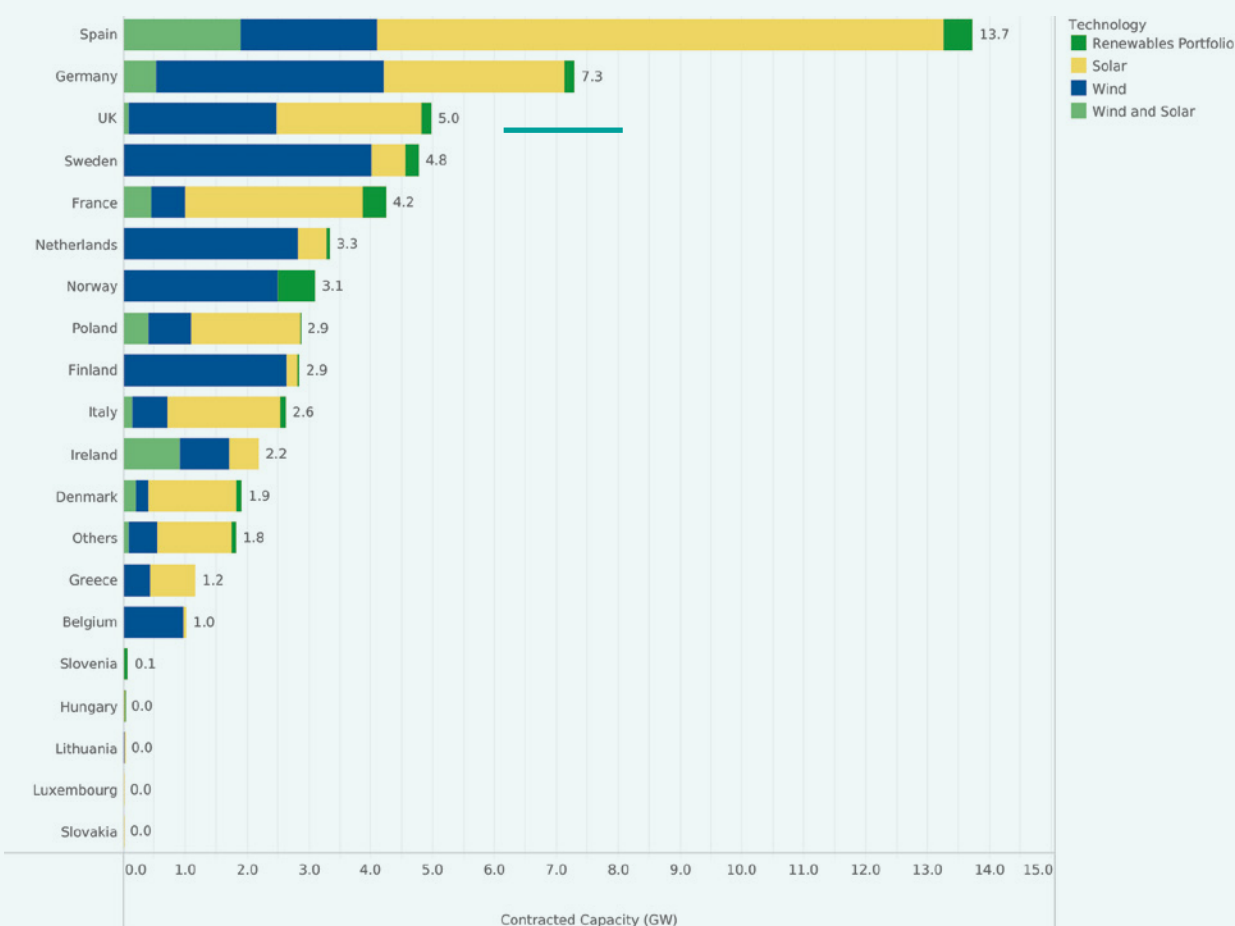
The EU would unlock additional private capital for renewables and provide more predictable energy costs for large energy users.

Simplifying and future proofing the Energy Union

5

Figure 18

Breakdown of PPAs in GW across Europe by country



5 Simplifying and future proofing the Energy Union

“Europe must remove unnecessary bureaucracy. We need a regulatory framework that is simple, predictable and fit for the digital age.”

- Ursula von der Leyen, European Commission President

We've explained throughout this report how the volume of national and European rules which exist today combine to create barriers to trade and avoidable inefficiencies. We've also repeatedly mentioned the need to look ahead and to anticipate the challenges which Europe's energy markets will face in future. This chapter focuses on three ways of future proofing the Internal Energy Market – that is promoting competition by facilitating market access; ensuring that there is a culture of transparency and ensuring that supervisory frameworks are efficient and effective.

5.1 Simplify market access

At a time when Europe is considering how to make its market rules easier to understand and to boost competitiveness, it is worth remembering that, as a fundamental level, integration is simplification. If you have a single set of pan-European rules, you simply do not need 27 sets of different national rules. Adopting this ethos is crucial to making it easier to do business in Europe.

5.1.1 Make it easier to understand the patchwork of national and European rules

Where we are

Entering a market in Europe is a complex process. Someone must understand the connection rules, licensing requirements, tariff structures, grid codes, network codes, support mechanism designs and timings and market rules at national and European level. There are literally 100s of rules to be aware of and no simple way of understanding them. Unfortunately, this often makes investment in less complex destinations look relatively more attractive.

Where we need to be

By the end of 2026, the European Commission should create a digital tool to allow a new entrant to understand the rules they will face more easily (and enable a more informed debate about how to streamline those rules).

The result

Better informed decisions about where to invest, creating a more efficient system in the longer term and a greater willingness to invest in Europe.

5.1.2 A plug and play approach to licensing across Europe

Where we are

Participating in European energy markets is complicated. Companies need to seek approvals from multiple authorities or regulators to secure trading and supply licenses, storage permits and other requirements. This is a major barrier to entry and limits the development of market liquidity.

Where we need to be

European regulatory authorities should immediately agree the principle and by end 2027 establish a framework in which companies registering or already being registered in any EU are automatically entitled to operate anywhere in Europe without the need to register or seek licenses from NRAs.

The result

A slashing of red tape, increased competition and liquidity and a much simpler place to do business – for existing and future companies.

5.2 Enhanced transparency and operational efficiency

Transparency of data is fundamental to a well-functioning energy market because it underpins trust, competition, and efficient system operation. Simple access to data benefits everyone – informing better decision making, enabling more effective oversight and facilitating challenge and peer review.

5.2.1 Make transparency requirements fit for an evolving energy system

Where we are

Europe's transparency requirements, anchored in the Transparency Regulation, are over a decade old – and reflect a completely different energy system to the one we have today and the one we will need tomorrow.

Where we need to be

By the end of 2027, recognising that accurate, complete and open data underpins good and fair decision making and encourages efficiency, the European Commission should consult market participants and update the transparency guidelines. More detailed grid data (transmission and distribution), information on decentralised generation and new types of technologies such as batteries, should be at the heart of the revision.

The result

An important and up to date resource which can boost innovation and efficiency; enable easier scrutiny and better surveillance of the market; and grow trust and confidence in the energy transition.

5.2.2 Streamline regulatory reporting processes

Where we are

Market participants currently navigate a "patchwork" of reporting requirements under REMIT II, MiFID II, MiFIR, and EMIR 3. This setup requires the same or similar data to be delivered through multiple channels in different formats to different regulators. On the other hand, the lack of a consolidated market view prevents regulators from conducting effective market oversight and leaves policy-makers without the evidence base needed for informed decision-making.

Where we need to be

By the end of 2028, there should be a European Commission proposal on how reporting requirements should be streamlined to follow the "report once" principle.

The EU should leverage existing reporting channels (such as Registered Reporting Mechanisms and Trade Repositories) to ensure that once data is submitted, it is shared efficiently between authorities. As a priority next step, reporting formats, fields, and definitions should be harmonised as much as possible to remove technical friction. Secondly, the EU should establish an interoperable data-sharing framework or central data collection mechanism allowing energy and financial regulators to maintain a consolidated view of the market, enabling them to systematically assess the interlinkages between physical and financial markets.

The result

Implementing the "report once" principle reduces compliance costs for market participants, while providing regulators with higher-quality data for oversight.



5.2.3 Introduce close-out netting protections for corporates and all products

Where we are

In neighbouring countries such as the UK and Switzerland, close-out netting is enforceable for corporates across products, allowing exposures to be netted in insolvency, thereby making non-EU corporates safer and more attractive counterparties. In the EU, there is no uniform approach – enforceability for corporates and the scope of products covered depend on national insolvency law and vary widely between Member States. Lack of recognised close-out netting raises collateral costs and weakens EU competitiveness.

Where we need to be

By the end of 2027, the EU Directive harmonising certain aspects of insolvency law needs to be implemented consistently across Member States – with limited national discretion and close EU-level monitoring, to ensure that close-out netting arrangements are enforceable in insolvency for corporates across all products.

The result

Enforceable close-out netting makes energy cheaper for consumers, ensures safer energy procurement, strengthens cross-border activity, and helps EU energy companies compete on equal footing with non-EU market participants.

5.2.4 Shorten settlement cycles for energy trades

Where we are

In European gas and power markets, settlement typically occurs several weeks after trade has taken place (often around the 20th day of the following month). These extended settlement periods tie up significant amounts of working capital, increase counterparty credit exposure, raise operational risk and as a result reduce participation in over-the-counter (OTC) markets.

Where we need to be

Market participants should without delay begin implementing electronic Settlement Matching (eSM) and we encourage them to work with Energy Traders Europe to unlock the benefits of faster settlement.

The result

Faster settlement cycles would unlock capital for trading and investment, strengthening liquidity and lowering the overall cost of financing the energy transition.

5.3 Integrated and consistent oversight frameworks

The rapid evolution of Europe's energy markets requires a supervisory framework that is robust and efficient. Currently, market oversight is split across several authorities and legislative regimes, often resulting in duplicative reporting, and regulatory silos. To maintain the highest standards of market integrity, we must move toward a more integrated and consistent oversight model. The following recommendations outline a path toward a clearer split of responsibilities and a deeper cooperation between regulators.

5.3.1 Establish a clear split between regulatory responsibilities

Where we are

Oversight of energy derivatives is fragmented. Since REMIT II, wholesale energy products that are also financial instruments are subject to the dual oversight of both the energy regulators (ACER and NRAs) and financial authorities (European Securities and Markets Authority (ESMA) and National Competent Authorities). This lack of a clear boundary between responsibilities may lead to inconsistent supervisory approaches.

Where we need to be

By 2028, the EU should clarify that wholesale energy products that are financial instruments are exclusively the responsibility of financial regulators whereas wholesale energy products that are not financial instruments are the exclusive responsibility of energy regulators. This split should then be bridged by a mutual support mandate: ACER technically supporting ESMA's oversight of financial markets with energy expertise and ESMA supporting ACER's oversight of physical markets with financial insight.

The result

A logical and consistent supervisory framework that eliminates jurisdictional overlaps. This ensures that every product and participant is supervised by the authority with the most relevant expertise.



5.3.2 Foster deeper cooperation between Regulatory Authorities

Where we are

Currently, cooperation between ACER and ESMA relies on a high-level Memorandum of Understanding (MoU) and ad-hoc exchanges. There is no permanent, integrated structure to manage joint technical challenges. This lack of a formal, operational "home" for collaboration makes it difficult to align on complex issues such as market disruptions, or joint impact assessments, where both financial and energy expertise are critical.



Where we need to be

By 2027, the EU should build on the existing ACER-ESMA MoU by creating a "Center for Cooperation." This center should be staffed with seconded liaisons from both authorities to ensure information exchange and institutional knowledge transfer. Its mandate should include establishing a shared knowledge base to stay ahead of market developments across both sectors.

The result

A streamlined, expert-led platform that enables rapid, coordinated action during market stress without creating new bureaucracy. By pooling regulatory and institutional expertise, the center will ensure that market oversight is both agile and technically sound, providing a more stable and predictable environment for energy trading across the EU.

The culture of a true Energy Union

6



6 The culture of a true Energy Union

“ Does Europe have the stomach for this fight? Do we have the unity and the sense of urgency? The political will and the political skill to compromise? Or do we want to just fight between ourselves? To be paralysed by our divisions.”

- European Commission President, Ursula von der Leyen

This report has so far set out both why and what Europe must integrate. It has shown that completing the Energy Union is not an abstract, technical exercise. Rather, it is one of Europe's defining political projects and the vehicle to drive competitiveness, meet climate targets and reduce prices for consumers.

The final question of this report is, therefore, how a complete Energy Union can be delivered. Doing so requires more than legislation; it requires a culture fit for a truly European market.

Completing the Energy Union will not happen by accident; it is ultimately a question of will, leadership, governance and execution. As highlighted by outgoing ACER Director Christian Zinglensen, “it starts and ends with political will: Commitment to structurally integrate energy markets; a commitment that is anchored institutionally”.

Completing the Energy Union by 2028 requires a European culture, resting on three simple building blocks:

Clarity – of vision, direction and logic

A) Of vision: At its most simple, the only way to unlock the benefits of completing a Europe-wide energy market, is for all parties to agree that this is a political goal worth striving for. This vision must be aligned within and across European Commission institutions; amongst all Member States and Parliamentary groups; and by all actors downstream of policy decisions. If this is the case, a virtuous cycle can emerge – with a golden thread flowing from European Commission proposal to co-legislator adoption; and from Member States implementation to NRA application. This would allow investors to mobilise capital quickly and build momentum towards a complete Energy Union. Getting to this point requires decisive action – to quote the Jacques Delors Institute: “the fragmentation of the European energy market persists, and the pursuit of the integration process appears more risky than ever.”

B) Of direction: Vision and leadership build confidence. But leaders must set out their vision through clear plans, like the one presented in Chapters 2-5 of this report, with tangible actions underpinning them. And this must be done urgently. If more time is spent reflecting on where we should be going than is spent taking steps to get there, we risk letting the best be the enemy of the good. The initial integration of the European energy market was grounded in a Target Model, developed collaboratively and delivered collectively by stakeholders. Perhaps it is time for Target Model 2.0.

C) Of logic: All parties must remember the economic logic we're working towards. Integrated markets can reduce cost for consumers, lower bills for governments and drive returns for investors in the energy transition. When inevitably difficult decisions arise, those responsible must remember the 'why' of integration.

Consistency - stewardship, action and policymaking

A) Of stewardship: This report has outlined why the Internal Energy Market is one of Europe's most remarkable political and technical achievements. It is therefore incumbent on those responsible for its integrity to protect and promote its virtues. This means a European market that is actively steered by the European Commission and ACER. There must be a willingness to act where rules aren't implemented or followed; there must be a willingness to provide views where a national policy will have adverse impacts; and there must be a concerted effort to help customers understand the benefits that market integration delivers.

B) Of action: Actions do speak louder than words and, as we write, large numbers of agreed rules are not implemented in large parts of Europe. And there often seems to be no consequence where this happens. There can be no confidence in a European energy market if consistent implementation and enforcement are not the foundations on which the market is built.

C) Of policymaking: Over the past 20 years, Europe's energy sector has transformed from a series of independent markets, to a near complete Energy Union. In this new reality, we can't think of gas and electricity as distinct sectors, we can't think about transmission and distribution as distinct services and we can't think about geographic borders as being where national energy policy considerations stop. System-wide thinking must be consistently applied in European policymaking.

Collaboration – Between Member States and with market participants

A) Between Member States: There must be greater recognition that national choices have regional or pan-European consequences. Intervention in one country's gas markets can have consequences for another country's electricity markets. The Energy Crisis saw 438 separate policy measures implemented across Europe. Tackling Europe-wide challenges can only be done effectively at European level and increasingly, tackling local issues can only be done with the help of our neighbours.

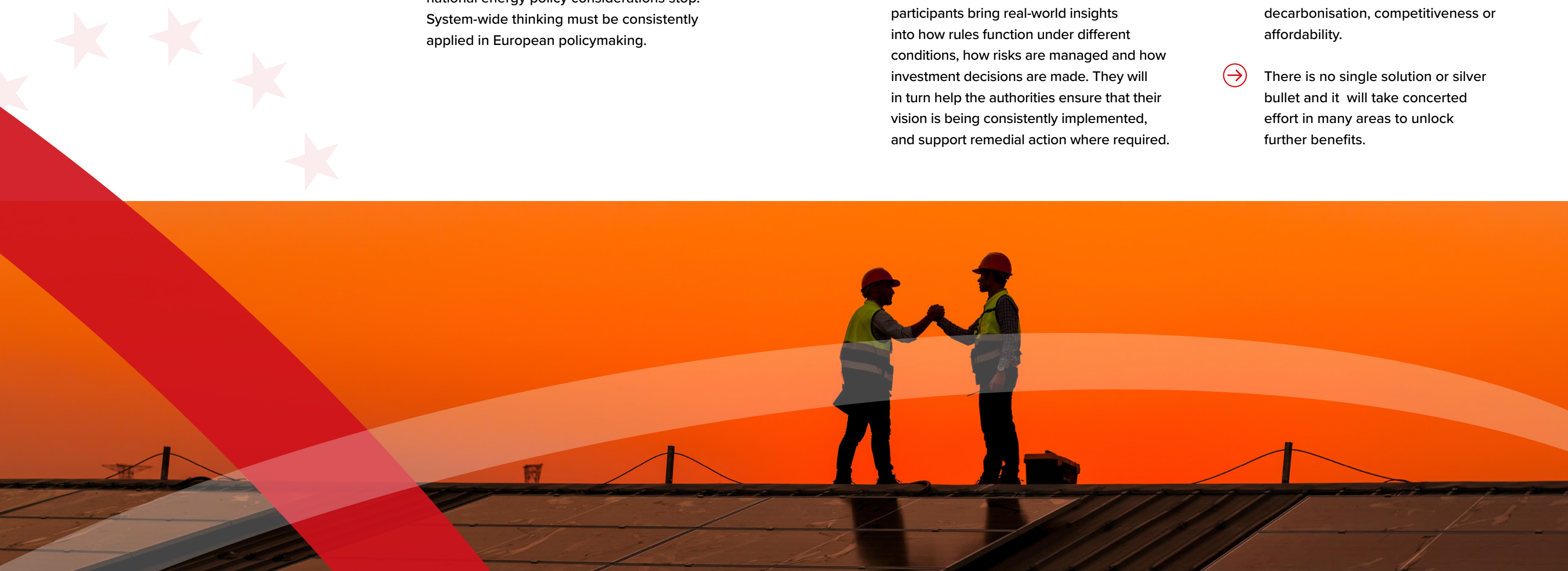
B) With market participants: A market which is so complex and so capital intensive, demands collaboration with the people whose capital is at risk. These market participants bring real-world insights into how rules function under different conditions, how risks are managed and how investment decisions are made. They will in turn help the authorities ensure that their vision is being consistently implemented, and support remedial action where required.

Seizing the opportunities

In his landmark report 'More than a Market', Enrico Letta warned that momentum towards deeper integration of Europe's energy market cannot be taken for granted, and the risk of regression remains real.

However, this report demonstrates several clear conclusions:

- ➔ The progressive integration of the European energy market is a huge achievement which has benefitted customers across Europe.
- ➔ Options exist to unlock even greater savings in a relatively short space of time – be they security of supply, decarbonisation, competitiveness or affordability.
- ➔ There is no single solution or silver bullet and it will take concerted effort in many areas to unlock further benefits.



What this final chapter highlights is perhaps be the single greatest determinant of success:

- ➔ Creating an integrated energy market requires a clear, enduring political commitment coupled with a willingness to work, and act, together in the face of inevitable complexity and trade-offs.
- ➔ It requires consistent political leadership, strong stewardship to protect the progress made to-date and a recognition across the EU that the effects of national policies reverberate across our Energy Union.
- ➔ And above all else, it requires collaboration between those designing the market, and those operating within it.

As set out in our opening Chapter, Integrate by 28 is based on a simple premise: Europe already has most of the legal, institutional and market foundations required to create a truly integrated Energy Union.

This report represents Energy Traders Europe's contribution to the why, what, when and how we can complete the Energy Union. And the benefits of following the recommendations in this report will be significant – strengthening security of supply, lowering costs for consumers, supporting Europe's industrial competitiveness and safeguarding its social model, while enabling the energy transition to proceed at least cost.

The opportunity exists to turn “one of Europe's greatest and most underutilised assets” into its greatest tool to meet energy, industrial, climate and social objectives.

Energy Traders Europe stands ready to play our part.

Integrate by '28 Actions tracker



Actions tracker

2 Driving competitiveness through an integrated, efficient energy system

gas power carbon simplification

Policy recommendation

2026

2027

2028

Unlocking the full capacity of the EU's Grids

Enforce the 70% minimum cross-zonal capacity requirement



Ensure the existing gas network is used efficiently



Focus congestion income where it adds most value



Create robust and fair rules to share the burden of network congestions



Improve the usage of gas network capacity in the CSEE region



Align the design of electricity network tariffs



Strengthen the Gas Tariff Network Code to enhance stability and facilitate trade



Improve risk management by auctioning multi-year forward transmission rights



Make network connection more transparent, flexible and creative



Incentivising greater flexibility and demand-side participation

Adopt and implement the electricity Demand Response Network Code and enhance coordination and data sharing between TSO and DSOs



Complete the integration of EU balancing platforms (PICASSO, MARI)



Reintroduce flexibility in gas storage filling



Ensure local markets are part of an integrated Europe wide market design



Reflect the true value of scarcity in electricity imbalance prices



3 Securing the energy we need

gas power carbon simplification

Policy recommendation

2026

2027

2028

Attracting supplies in a global market

Issue clear guidance to make the authorisation processes for non-Russian gas as robust as possible



Amend the Methane Regulation to access global LNG supply



Supplement the Russian gas phase out with a ban on Russian entities holding LNG terminal capacity



Making best use of Europe's resources

Integrate capacity remuneration mechanisms across borders



Agree a target model for European biomethane trading



Allow renewable gas imports to contribute to the EU biomethane target



Ensure our market design can unlock offshore wind in the Northern Seas



Expanding the Internal Energy Market

Implement the EU-Switzerland Electricity Agreement



Restore efficient EU–UK electricity trading arrangements



Prioritise the integration of Ukraine into EU electricity and gas markets



Integrate the Energy Community contracting parties into EU electricity markets



4 Reaching carbon neutrality at least cost

gas power carbon simplification

Policy recommendation	2026	2027	2028
Strengthening the ETS			
Ensure the ETS remains the primary driver of decarbonisation			
Integrate carbon removals into the ETS			
Ensure a stable and clear CBAM framework applies to electricity imports into the EU			
Progress with the expansion of the ETS to heating and transport			
Link the EU ETS with the UK ETS			
Align the ETS with the Energy Community members and avoid CBAM costs			
Markets and policies to deliver cost-effective decarbonisation			
Shorten the intraday gate closure time for cross-border transactions in electricity			
Harmonise the design of Contracts for Difference			
Transition towards EU-wide support schemes for biomethane			
Align and simplify biomethane certification schemes			
Update the green hydrogen delegated act			
Ensure all barriers to the uptake of PPAs are removed			

5 Simplifying and future proofing the Energy

gas power carbon simplification

Policy recommendation	2026	2027	2028
Simplify market access			
Make it easier to understand the patchwork of national and European rules			
A plug and play approach to licensing across Europe			
Enhanced transparency and operational efficiency			
Make transparency requirements fit for an evolving energy system			
Streamline regulatory reporting processes			
Introduce close-out netting protections for corporates and all products			
Shorten settlement cycles for energy trades			
Integrated and consistent oversight frameworks			
Establish a clear split between regulatory responsibilities			
Foster deeper cooperation between Regulatory Authorities			

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