



**KEYNOTE SPEECH BY KADRI SIMSON, COMMISSIONER FOR ENERGY,  
EUROPEAN COMMISSION  
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Honourable Prime Minister,  
Dear Tomislav,  
Dear ladies and gentlemen,

Good morning.

Let me first take a moment to acknowledge that last year has been unusually difficult for Croatia and its people. On top of the already devastating COVID crisis, the country was hit by two earthquakes – one in Zagreb in March and another in Petrinja in December. Lives were lost, homes damaged and the economy weakened.

Let me assure you that Europe stands with you in solidarity, both when rebuilding your country and tackling the health crisis.

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A global pandemic was not on our mind even just a year ago. The Commission had then just stepped into the office and announced our new European goal of climate-neutrality by 2050.

The health crisis has not changed this ambition. On the contrary, working towards a green, sustainable and resilient economy is even more relevant now.

2020 already gave us important insight into the future of the European power system.

The sector managed to withstand the challenges of the lockdowns and the security of supply was ensured. Wind and solar generation broke records. There were days in some countries where almost all the electricity was produced from renewable sources.

Low gas prices and a robust carbon price kept the cost of gas generation below the cost of coal. This intensified what was already happening in 2019 - switching from coal to gas. This trend reduces the carbon footprint of the electricity sector and is expected to continue.

As transport activity grinded to a halt, oil price tumbled as well. The electricity consumption fell by an average 5% across Europe.

All of these factors combined pushed wholesale power prices in the EU down by an average of 20 euros per megawatt hour.

This shows that the European energy sector is already in transition. And as the theme of your conference suggests, it is important to see how we manage this green transition.

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Allow me to start with our policy approach.

Last year, we proposed the first European Climate Law and set the goal to reach climate neutrality by 2050. To make this path more sound and efficient, we have also presented **the Climate Target Plan** to reduce EU greenhouse gas emissions by at least 55% by 2030, compared to 1990. I am very happy that by now, the European Council has endorsed the two targets and we therefore have a common goal to work towards.

In parallel to proposing overall climate targets, we have of course also worked on setting an agenda for our energy policy.

Last year we proposed a wide range of energy initiatives such as the Energy System Integration Strategy, the Hydrogen Strategy, the Renovation Wave and the Offshore Renewable Energy Strategy. These strategies put in place our overall policy direction and will guide future legislative initiatives.

Already in the end of 2020, we presented our first legislative proposal for **revising the Trans-European Network for Energy Regulation**.

Our aim is to bring Europe's infrastructure policy fully in **line with our climate neutrality objective**. It means further integrating the renewables and new clean energy technologies into the energy system.

Next, by June this year, we will present a "Fit for 55" package to **deliver the 55% emission reduction target** by 2030. In this context, we will **review the Energy Efficiency Directive and the Renewable Energy Directive**, including their targets.

Later in the year we will come forward with a legislative initiative for **reducing the methane emissions in the energy sector**. And by the end of 2021, we are going to propose a **revision of the gas package** to regulate competitive decarbonised gas and hydrogen markets.

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All of this will of course change our energy markets. The **Internal Energy Market** is mostly seen as an instrument to keep prices for consumers in check and set efficient investment signals for investors. This will remain the case.

However, our energy market will also need to help us deliver the EU's climate targets. The integration of all national energy systems into one EU-wide market is crucial for an efficient decarbonisation process.

It will allow increasing amounts of renewable energy to be traded across borders. Member States and market participants will benefit from diversity of the generation potential in the different EU regions. This will keep prices affordable and improve security of supply.

EU support schemes and public spending alone will not be able to cover the enormous investments needed for the energy transition. Only well-organised and well-regulated markets will be able to mobilise the private investments needed to bring about a carbon-free economy.

Therefore, I welcome that Croatia has recently overhauled its laws on the electricity and gas markets to bring them fully in line with EU internal market rules. One crucial element here is phasing out the remaining elements of regulated gas prices at the

wholesale level. Applying the new rules will ensure that all customers will benefit from fully competitive markets.

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Delivering the European Green Deal and our energy transition will require **major investments**. The COVID crisis has added its share of costs.

As I mentioned, market demand and private sector will contribute the majority of investments, but it is clear that significant public support is needed as well.

Europe's recovery is underway with the **EU long-term budget** and **recovery package** totalling an unprecedented amount of 1.8 trillion euro. 30% of these funds will be channelled to green transition. It will be the biggest ever public support for climate action and energy transition in Europe.

The biggest instrument of the package, a 672.5 billion **Recovery and Resilience Facility** with its 37% climate earmarking will steer **249 billion euro** to climate-related and clean energy investments.

In order to benefit from the Facility, Member States should submit **Recovery and Resilience Plans**. These plans will need to outline specific reforms and investment proposals to speed up the economic recovery and the green and digital transitions. They should as well address challenges set out in the country-specific recommendations of the European Semester and be **consistent with the National Energy and Climate plans** and **the Just Transition Plans**.

Recovery must be **green and sustainable**. The Commission is working closely with the Member States to ensure that the plans are fit-for-purpose and contribute to achieving our energy and climate targets.

Building renovation, renewable energy, hydrogen and integrated energy systems are some of the areas with the greatest potential to make progress both on economic and climate targets.

Croatia has submitted its draft national Recovery and Resilience Plan in December and the dialogue between our services and Croatia is already ongoing. I am very glad that Croatia's draft plan follows up on some of the recommendations the Commission has made on your country's **National Energy and Climate Plan** - in particular on increasing the share of renewable energy sources and especially in transport.

Given the destruction caused by the recent earthquakes, Croatia's draft Recovery and Resilience Plan also focusses on building renovation, combining energy renovation with structural reinforcement. This is a welcome and necessary step. That said, the buildings not affected by the earthquakes will also require attention.

This brings me to the **Renovation Wave** - one of our most important energy policy initiatives helping to bring investments.

Existing buildings in Europe are responsible for about **40% of the total energy consumption**, and **for 36% of the energy-related carbon emissions** in the EU. We need better performing buildings to make our continent carbon-neutral by 2050.

It is our aim to mobilise actors at all levels in order to **at least double the annual energy renovation rate** already by 2030.

The investment needs for this challenge are huge. We need to **boost both public and private investments** to make this happen. Our Recovery Package is a start, but only a start.

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To conclude, the EU supports Croatia in its green transition through various funds and support schemes, including the Recovery and Resilience Facility, Just Transition Mechanism and of course well known Cohesion Policy. We are also helping to address the two most pressing challenges:

- to rebuild Croatia after the earthquakes through the Renovation Wave and;
- to provide funds for economic recovery from the COVID impact by investing in renewable energy and clean transport solutions.

Therefore, I find the two following panels very relevant. Both, steering the changes of our energy markets and investments in clean energy will be hugely relevant in the management of the green transition and creating a modern, competitive future economy.

I wish you interesting discussions at today's conference and hopefully one day I can also join you in person in Croatia.

Thank you and have a nice day!