

On 26 February 2025, as part of the [Clean Industrial Deal](#), the European Commission unveiled its [Affordable Energy Action Plan](#) (COM/2025/79), a comprehensive strategy based on four pillars: a) lowering energy costs for all; b) completing the Energy Union; c) attracting investments and ensuring delivery; and d) being ready for potential energy crises. While the overarching objective is to provide broad-based relief to all energy consumers (in the short term), a significant emphasis is placed on ensuring that European companies, especially those operating in energy-intensive sectors, can benefit from lower energy prices, enhanced clean energy investment, and a more predictable regulatory framework.

The plan's approach is based on the principle of technological neutrality, meaning that no specific energy production technology is mandated or favoured over others. An explicit reference to "technological neutrality" can be found in the chapter dedicated to the creation of an Energy Union, where this principle is mentioned to emphasise the importance of maintaining this approach to reduce energy costs, which, in fact, represents the primary objective of the plan itself.

Further evidence of this approach, which also indicates a renewed recognition of nuclear power as a key energy technology, is the emphasis in the plan on investments in next-generation clean energy technologies, including nuclear fusion, along with enhanced geothermal and solid-state batteries, as well as supporting existing capacities through refurbishment initiatives. This further demonstrates the broader push to explore diverse technological solutions for energy production.

This client alert offers an overview of some of the regulatory measures proposed, their potential implications for energy-intensive industries, and how our firm can assist clients in understanding these developments.

## Lowering Electricity Taxation

One of the first interventions aimed at lowering energy costs for all, thereby benefiting not only individuals but also companies, is the revision of the Energy Taxation Directive (ETD), initially proposed in 2021. The objective is to achieve an immediate reduction in energy bills, with the potential to at least halve the tax component (expressed in €/MWh), drawing on the successful taxation reductions implemented during 2022-2023.

Given that taxation remains a competence of Member States, the commission suggests that Member States may already, under the ETD framework:

- Lower national taxes, levies and network charges on electricity bills toward the minimum excise duty rates, currently set at €0.5/MWh for businesses
- Apply the reduced VAT rate allowed by the VAT Directive and its amending council directive of minimum 5%
- Eliminate levies that are not directly related to energy

- Reallocate levies earmarked for financing energy policies to the general budget

In line with the provisions of the Energy Taxation Directive, which permits the reduction of taxes to zero for energy consumed by households and energy-intensive industries, the commission intends to issue a recommendation to Member States regarding the optimal use of these flexibilities. This measure is designed to ensure that electricity is taxed less heavily than other energy sources while simultaneously advancing the EU's long-term decarbonisation objectives.

**Flagship action** – Lower national-level taxation of electricity and removal of nonenergy cost components from bills (Q4 2025).

## Decoupling Electricity Prices From Gas Volatility and Promoting Long-term Contracts

The commission is acutely aware that high and volatile gas prices have driven up electricity costs, adversely affecting industrial consumers and energy-intensive sectors that require price certainty. In response, the commission recognises that long-term contractual arrangements – such as power purchase agreements (PPAs) and other extended supply contracts – can mitigate price volatility by securing stable and cost-effective electricity over a prolonged period. Notwithstanding an increasing demand for PPAs, significant barriers persist for certain energy-intensive businesses, limiting their access to these critical instruments.

To address this, the commission intends to enhance the regulatory framework under the electricity market rules to decouple electricity bills from the fluctuations of gas prices and thereby promote the widespread uptake of long-term supply contracts. In pursuit of this objective, the commission anticipates the following measures:

- Reduction of barriers for market entry** – The commission will support national regimes and introduce de-risking tools to facilitate the conclusion of long-term energy contracts, particularly for energy-intensive industries that have historically encountered obstacles in this area.

- b. **Acceleration of grid expansion, modernisation and digitalisation** – The European Commission plans to introduce a European Grid Package by the first quarter of non-legislative measures. This initiative aims to simplify the Trans-European Energy Networks (TEN-E) Regulation, foster digitalisation and innovation, and enhance transparency regarding manufacturing supply needs. Anticipatory investments could reduce annual distribution grid investment requirements by €12 billion, minimising inefficiencies and preventing unnecessary costs from being passed on to consumers.
- c. **Reduction of permitting timelines to facilitate accelerated deployment** – Together with the Grid Package, the commission intends to propose legislative measures to expedite permitting processes for grid infrastructure, storage facilities and renewable energy projects. The goal is to significantly shorten approval timelines – simpler projects such as repowering in renewable acceleration areas should receive permits in less than six months, or within 12 months outside of these areas. Renewable projects should be approved in under 12 months within acceleration areas and within two years elsewhere. More complex projects, including offshore wind farms, should complete the permitting process in less than two years in acceleration areas and within three years outside them.
- d. **Ensuring supply and price certainty** – Acknowledging that energy-intensive industries – such as the steel sector – require stable energy supply and predictable pricing to plan production and make substantial investment decisions, the commission emphasises that such long-term certainty is crucial. In return, these industries can provide the necessary offtake assurance to energy producers, thus creating a mutually beneficial framework.
- e. **Pilot programme with the European Investment Bank (EIB)** – In collaboration with the EIB, the commission will launch a pilot programme, with an indicative amount of €500 million, to provide counterparty guarantees for PPAs. This initiative, which will be technologically neutral and may include cross-border agreements, is aimed at bolstering market confidence in long-term energy contracting.
- f. **Guidance on contract structuring and market development** – The commission will issue detailed guidance to Member States on the design of effective contracts for difference (CfDs) and their integration with PPAs. Moreover, new rules will be adopted to foster the development of European forward markets, thereby expanding hedging opportunities and further stabilising energy prices.

**Flagship action** – To reduce electricity supply costs and counteract the adverse effects of gas price volatility, the commission will coordinate these measures, with regulatory barriers to be removed immediately and consumers and communities to be allowed to produce, use and sell renewable energy on their own terms, including via energy communities. Coordination with the EIB is set to commence in the second quarter of 2025, and comprehensive guidance to Member States is expected to be issued by 2026.

## Next Steps

The communication detailing these measures has been formally submitted to the European Parliament and the council for their consideration. Both institutions retain the option to respond through formal resolutions or a set of conclusions, which may further shape the scope and application of the proposed measures. As such, stakeholders should anticipate a period of dynamic regulatory evolution, with particular scrutiny on the revised taxation framework and market design proposals. Our clients are advised to remain vigilant to these developments, as they will invariably influence both operational costs and long-term strategic planning.

## How We Can Assist You

We are uniquely positioned to guide clients through the complexities of the Affordable Energy Action Plan. In this context, we may provide the following services:

- **Comprehensive regulatory analysis and strategic advisory** – We may conduct an in-depth review of the revised Energy Taxation Directive and other associated regulatory measures. Our analysis will identify potential cost-saving opportunities and clarify the obligations that may affect your business operations, thereby enabling you to make informed, strategic decisions.
- **Targeted policy advocacy and stakeholder engagement** – Leveraging our extensive experience in EU regulatory affairs, we may support your efforts to engage with both EU and national policymakers. Our advocacy services are designed to secure favourable outcomes, especially in relation to the implementation of energy levy reductions and tax incentives tailored to benefit energy-intensive enterprises.
- **Expert guidance on contract structuring and market participation** – We may offer specialised advice on handling the pilot programme with the EIB for PPAs. Additionally, our team can counsel you on structuring effective CfDs and integrating these mechanisms with PPAs, thereby facilitating long-term, stable energy contracting.
- **Insightful market and investment analysis** – We may provide detailed insights into forthcoming market reforms and the evolving regulatory landscape, ensuring that your investment decisions are both well-informed and strategically aligned with the new policy framework.

Should you require further discussion on how we may assist you in capitalising on the opportunities and mitigating the risks associated with the Affordable Energy Action Plan, please contact our team. We stand ready to provide tailored legal and strategic advice to ensure your business is well prepared for the forthcoming regulatory changes.

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