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Confederation of Swedish Enterprise position regarding EU Grids Package

A truly European approach requires a stability pact for electricity

With the EU Grids Package, the Commission wants to take a new approach to EU energy infrastructure policy by bringing "*a truly European perspective"* into infrastructure planning, while accelerating permitting and ensuring fairer division of costs. Many of the questions addressed by the Grid Package are already being experienced in Sweden today. From an electricity system perspective, Sweden experience several of the challenges of Europe but a smaller scale. Sweden has four bidding zones with large price variations and clear bottlenecks. A large share of production - and lower prices – is in the north and a large share of consumption – and higher prices – is in the south. There is widespread dissatisfaction with the price differences. At the same time, several experts argue that merging Sweden's bidding zones into a single area would lead only to a moderate reduction in electricity prices in the south, while the price impact in the north would be significant, with the result that the competitiveness of energy-intensive industries would be impaired. In this respect, the Swedish situation shares many similarities with the overall predicament of Europe's electricity system.

The transition from fossil based to fossil free electricity production that is now taking place in Europe was already largely completed in Sweden in the 1970s and 1980s. Back then, fossil fuels were phased out and replaced by nuclear power that supplemented already existing hydropower. As a result, we now have a largely depreciated electricity production system with low capital costs. The financial burden of the transition has thus already been borne by Swedish electricity users.

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Increased interconnection between countries may by some metrics lead to a more efficient market. At the same time, interconnectors may contribute to higher electricity costs in some Member States, rendering energy intensive production there less competitive and increasing the risk of carbon leakage. It is therefore important to acknowledge that it is a competitive edge for Europe that we have some low-cost bidding zones that can continue to uphold a comparative advantage that enable the establishment of energy intensive industries. Increased harmonization of electricity prices in Europe could make such investments impossible. In addition, harmonization of electricity prices could also weaken incentives for reforms necessary for the development of the Member States' respective electricity markets.

In Sweden, the price differences between the various bidding zones were negligible until a significant part of the nuclear power baseload production located in the southern part of the country was permanently shut down in 2019 and 2020. This indicates that increased transmission may alleviate the symptoms of the deficiencies in the electricity system, but it does not remedy the underlying problem, which is deficiencies in cost-efficient and reliable production. Once again, Sweden is a case in point, with large electricity intensive clean industry projects planned in the north. If these projects are realized, the possibility of transmitting electricity to the southern parts of the country will be reduced, and the value of increased cross-border transmission capacity to the Member States on the continent will therefore decrease.

The fundamental idea of solidarity between Member States with regard to electricity supply is legitimate, but it must be seen from a more holistic perspective and be based on the principle that each country having not only rights but also responsibilities for its own electricity supply. If the financial burden and risk of new capital-intensive investment in competitive, robust and fossil free electricity supply is perceived to be unfairly distributed, this could lead to a loss of confidence in the EU and, in the worst case, trigger a strongly EU-critical debate. Sweden is the EU country with the highest per capita electricity exports, and there is already strong public opposition to further interconnection with neighbouring countries.

The Confederation of Swedish Enterprise therefore thinks that the continued evolution of the Energy Union will necessitate the development of a governance system that addresses key cross-border energy topics with a coherent systemic approach, e.g. finding a balance between the objectives of increasing build out of interconnectors with Member States' responsibility to ensure a competitive, resilient and fossil free system.

In the Draghi report, the conclusion is that moving forward with energy union integration, it will be necessary to develop a more integrated governance system to increase efficiencies in investment trade-off decisions, for example for the integration of renewables, grids, ensuring dispatchable generation and lower total system costs. Moreover, the Draghi report concludes that such governance could draw inspiration from the EU's Economic and Monetary Union (EMU).[1]

The Confederation of Swedish Enterprise agrees with the Draghi report's conclusions that the principles underpinning the Stability and Growth Pact could be a good analogy in this respect. The Stability and Growth Pact was created to support the establishment of a common currency. The prerequisites for the common currency area were considered to be a common financial policy. Since the Member States does not have a common fiscal policy, convergence criteria were established to ensure the functioning of the common currency area. The purpose was to guarantee a sound fiscal policy, and it was required by all Eurozone members to follow the requirements of the Stability and Growth Pact. Thus, it was widely accepted that the successive deepening of European integration through the EMU demanded certain requirements and responsibilities for Member States.

In order to strengthen the internal market for energy, through completing a robust Energy Union, additional efforts besides interconnectors are needed in order to guarantee a resilient, reliable and competitive internal market for electricity. A prerequisite for a strengthened internal market for electricity going forward is that Member States respect the principle that each Member State has a responsibility to ensure a resilient and reliable electricity system at national level. Therefore, a number of responsibilities for Member States should be taken into account when evaluating the economic and systemic rationale of new interconnectors:

- Firstly, the quality of domestic grids in connected bidding zones and regions needs to be sufficient before bidding zones are connected. Countries need to not only address cross-border transmission but also deal with their domestic bottlenecks and ensure that existing domestic grids are efficiently utilized.
- Correct design of bidding zones needs to be ensured in order to strengthen the functioning of the electricity market, e.g. through giving clear price signals where there is a need to build additional power generation to meet the consumption profile in that area.
- Electricity price subsidies, in the Member State that is expected to be the net importer, should not incentivize unjustifiably higher electricity demand and thus higher prices (through marginal pricing effects).

- Existing EU rules require grid operators to make a 70% minimum amount of capacity of interconnectors available for electricity trading with neighboring countries by the end of 2025. The further evolution of the EU's Energy Union needs, however, not only to incentivize interconnector capacity but also include incentives for individual Member States to assume responsibility for building resilient and reliable electricity systems. Such incentives or requirements for Member States could include ensuring sufficient fossil free dispatchable power generation in connected bidding zones. Inspiration for such incentives could be drawn from the requirement to make 70 % of interconnector capacity available.
- An analysis should be done regarding how the competitiveness of connected countries can be affected by the envisaged electricity market integration through build-out of interconnector capacity.

Central planning scenario

The Confederation of Swedish Enterprise advocates that the planning, upgrading and building out of energy infrastructure is conducted at the appropriate level that guarantees efficiency of planning and sufficient understanding of local prerequisites, in particular for the users that depend on the infrastructure. The TEN-E Regulation Article 11 in the proposal empowers the Commission to adopt delegated acts establishing a central scenario for the electricity, hydrogen and gas sectors to be used for the Union-wide TYNDP, the infrastructure needs identification process, the energy system wide cost-benefit analysis and the cross-border cost allocation of energy infrastructure projects. Furthermore, the proposal empowers the Commission to open a call for tender for a 3rd party if the TSO does not react in time on the infrastructure needs identified in the process.

Currently, EU level planning of electricity grid infrastructure is not binding for the competent authorities. The proposal will change this and transfer power from the national competent authorities to the European level. The Confederation of Swedish Enterprise does not find that the Commission has sufficiently motivated why a derogation from the principle of subsidiarity in this area will result in a more efficient infrastructure development for the EU's electricity consumers. An increased centralization of planning of EU energy grids and infrastructure may not necessarily be more efficient than the current more decentralized approach. The Confederation of Swedish Enterprise sees a risk that the national prerequisites, security concerns and local conditions may deviate from the European central planning approach and scenario.

Cost-sharing and congestion rent

Congestion rent

The Confederation of Swedish Enterprise strongly objects to the proposal to require TSOs to set aside 25 % of congestion rent for Projects of Common Interest (PCI) – and for compensation to offshore renewable electricity generation plant operators. The purpose of electricity congestion rent is that they should be levied for a particular congested section of the grid in order to bring in revenue to enable investment in grid infrastructure upgrades to reduce congestion for the electricity users that paid the congestion fee in the first place. The proposal allows for a situation where the TSO in country A is required to set aside congestion rent – collected for addressing *domestic congestion* in its own Member State – to instead devote them to projects to reduce *cross-border congestion* between Member State B and C. With this proposed design, the Commission's proposal significantly deviates from market economic principles and would risk severely decreasing the prerequisites for efficient congestion fee management. In addition, the purpose of Projects of Common Interest is not directly and exclusively linked to decreasing congestion, which further weakens the relationship between generation of congestion income and the use of the collected congestion income.

Congestion rent management is handled differently across EU Member States. Sweden has four different domestic bidding zones, while most other Member States have not implemented any domestic bidding zones – despite some of them having been recommended to do so in the recent Bidding Zone Review. One effect of these differences is that collection of congestion revenue varies greatly. Unfortunately, the Commission has not provided a sufficient estimate of the congestion revenue collected in the respective Member States. However, ACER estimates that congestion income generated in SDAC between 2022 and 2024 amounted to 28,9 billion EUR[1]. Meanwhile, the congestion fees collected in Sweden during the same years amounted to a total of ca 10,8 billion EUR (115,3 billion SEK) according to figures from the Swedish Energy Markets Inspectorate (Ei).[2] Thus, the impact of the Commission proposal would disproportionately negatively affect a country like Sweden with several bidding zones, which in turn

[1] ACER Monitoring Report on cross-zonal electricity trade and congestion management in the EU (2025) (page 13)

[2] Ca 73 billion SEK (2022); ca 20,9 billion SEK (2023); ca 21,4 billion SEK (2024), see e.g. Användning av flaskhalsintäkter 2024 and Höga flaskhalsintäkter under 2024 – så här har de använts - Energimarknadsinspektionen; Exchange rate from 16/1 – 2026

would further disincentivize much needed bidding zone reforms in several Member States.

Lastly, some interconnectors are managed by private entities. For instance, the Baltic Cable between Lübeck in Germany and Kruseberg in Sweden is operated as a limited company (aktiebolag). The Baltic Cable is the only interconnector between the price zones Germany/Luxemburg and Sweden (SE 4) and has congestion revenues as its only revenue. In accordance with the judgment of the European Court of Justice (C-454- 18), the company has the right to cover its costs with received congestion revenues and the right to a reasonable profit. This is also confirmed in ACER decision 38/2020, Annex II.[3] It is not clear to the Confederation of Swedish Enterprise how this case law and ACER decision will fit with the provisions Commission proposal.

Cost-sharing

The Confederation of Swedish Enterprise has several questions and concerns regarding the cost-sharing mechanism proposed by the Commission. The Commission proposes the creation of a cross-border cost allocation mechanism. The mechanism risks forcing Member States to co-finance projects that are not prioritized at national level.

Moreover, the Confederation of Swedish Enterprise rejects the definition of net benefits. The definition of the concept of net benefits in the Annex lacks a clear definition of system benefits that must be taken into account when building a competitive, resilient and fossil free electricity system. Moreover, the concept of net benefits lacks a technological neutral approach, which in turn is a fundamental requirement for designing a future-proof and cost-efficient measure. In addition, the concept of net benefits is very much focused on the area of transmission, and as a consequence omits other important benefits that may arise in other parts of the electricity system. One of the primary requirements for evaluating the net benefit of an infrastructure project according to the proposal is that it contributes to the integration of renewable energy into the electricity system. Cost-efficient integration of additional renewable power into the system is of course a welcome addition to the European electricity system. However, in a future-proof and technological neutral legislative

[3] Annual report on Congestion revenues according to Regulation (EC) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity

approach, the legislator should promote the integration of *certain benefits* for the system, *rather than certain types of productio*n.

Lastly, there are a number of questions pertaining to the proposed provisions on cost-sharing and below, the Confederation of Swedish Enterprise lists some of the most important ones.

- There is a fundamental question of EU competences. How does the requirement to pay for a project not prioritized in the Member State's own national plan relate to the Treaty Provisions? In particular if the project decreases the Member State's ability to choose its own energy mix.
- The concept of net benefits seems to be associated heavily with transmission, rather than system benefits.
- It is unclear where the financing of the cost-sharing should come from and whether it is EU financing through CEF or congestion revenue – or both – that should provide the funds to be shared in the cost-sharing process.
- In some instances, it seems that the cost-sharing mechanism may risk creating an obligation to contract (e.g. if both a private sector project promoter and a privately run TSO are part of the cost-sharing arrangement).
- What will happen if there is a "net cost" rather than a net benefit of a project? E.g. that an interconnector project creates a net benefit of *decreased* prices in Member State A and B but *increased* prices and price volatility in Member State C?
- Will the ex-post evaluation also include an evaluation of whether estimated benefits have de facto been materialized? E.g. if an ex-ante evaluation estimates that prices and volatility will decrease with the interconnector project, but the ex-post evaluation proves the ex-ante estimation to be wrong, what will happen to the cost-sharing arrangements?

Permitting

The proposed ambition of the measures aimed at accelerating the permit-granting procedure are welcomed, with respect for national discrepances. Reform is needed to achieve the swift energy transition demanded to meet our

climate targets. The initiative taken by the Commission highlights the importance of the continual reform of the Swedish permitting system.

The measures regarding permitting taken e.g. in RED, the Net Zero Industry Act and Critical Raw Materials Act, are not effective if Member States don't already have a system where the measures fits. In Sweden, for example, appointment of strategic projects which have a fast track permitting system is not possible – our system doesn't accommodate that kind of measures. When reforming the permit process, the needs of the Swedish grid must be regarded.

The single point of contact suggested, together with full digitalisation of applicant procedure is a positive change, as long as funds and competence are at the appropriate level.

Having the Member States designate and finance an independent facilitator to promote dialogue between the project developer and the general public for renewable energy projects with an installed capacity above 10MW, is essential to reduce the appeal time and build national support for the necessity of the transition.

Compensation to local residents

Congestion revenues are primarily intended to finance network investments to improve network capacity and reduce congestion, with indirect benefits for consumers through lower network charges or reduced electricity prices.

Since the expansion of wind power and the expansion of the electricity grid are closely linked, there may be a risk that several overlapping compensation systems will be introduced, such as revenue sharing with local residents for onshore wind power. This could lead to local communities being compensated from several sources for what is in practice one and the same project, creating an unpredictable and potentially very high total cost for new electricity production and distribution.

It is very important to carefully analyse the overall effect of national proposals and upcoming EU regulations. The EU and Member States should work towards a coherent and predictable system for local benefits, rather than a fragmented patchwork of different compensation models that, taken together, risk discouraging investment.

According to the Grids Package, a lack of transparency and insufficient local involvement can lead to delays in permit procedures and legal disputes. Public

acceptance is higher when local residents have a financial stake in the projects. General mistrust among citizens and stakeholders applies not only to wind farms, but also to the infrastructure needed to connect them to the electricity grid. The proposed directive on accelerated permitting procedures introduces an obligation for Member States to ensure that some of the benefits of renewable energy projects are transferred to local citizens and communities. The directive also requires the appointment and funding of an independent facilitator to promote dialogue between project developers and the public.

However, under the current proposal, congestion revenues are primarily intended for investment in grid infrastructure at a higher system level, rather than for direct compensation to local residents. Regardless, it is of utmost importance to limit compensation to local residents to large-scale energy production in order to avoid creating uncertainty for other industries and claims for compensation from various parties. It should not be a general principle that can be applied to other activities that are assessed under the Environmental Code.

The definition of large-scale energy production could, for example, be related to the value that new electricity production adds to the electricity system in terms of cost-effectiveness, fossil-free energy, predictability, large scale (at least 300 MW installed capacity), security of supply, system stability and other system values.

Guidance on efficient grid connections

Sweden's competitiveness and the ability to implement industrial transition on time are directly dependent on access to electricity and fast, predictable grid connections. The European Commission's guidance on efficient grid connections contains several proposals that can positively impact Swedish industry, but parts of it, if implemented without national adaptation, may hinder investments.

The Confederation of Swedish Enterprise welcomes reforms that shorten lead times for grid connections, prioritize feasible and investment-ready projects, and enable flexible technical solutions and better use of existing electricity networks.

At the same time, it is crucial that implementation in Sweden does not result in overregulation or increased administrative burden, that it takes into account Swedish conditions, including large industrial electricity users and regional differences.

Proposals that the Confederation of Swedish Enterprise supports

1. Prioritization of Investment-Ready Projects (“first ready, first connected”)

The EU Commission advocates that grid connections should increasingly be based on the actual maturity of projects rather than strict queue order. (Moving from a “first come, first served” principle.)

Confederation assessment and message: This is positive for Swedish competitiveness. Projects that are financed, permitted, and ready for construction should not be blocked by speculative applications. Introduce clear and proportionate criteria for project readiness. Ensure that the system has predictability and legal certainty for industrial investments.

2. Flexible and Innovative Grid Connections (cable pooling, hybrid connections, flexibility solutions)

The guidance encourages technical solutions that allow multiple projects to share capacity and make better use of existing infrastructure.

Confederation assessment and message**:** This can significantly improve electricity access for industry in the short and medium term, especially in areas with capacity constraints. Create regulatory conditions that allow cable pooling and hybrid solutions. Ensure that industrial electricity users can participate on equal terms.

3. Clearer and More Harmonized Rules for Energy Storage

The EU highlights the need for clearer definitions and rules for energy storage in grid connection processes.

Confederation assessment and message: Predictable rules for storage strengthen investments in flexibility and contribute to a robust electricity system that benefits industry. Ensure that Swedish rules for energy storage are technology-neutral and investment-friendly. Avoid double regulation and uncertainties regarding fees and responsibilities.

Proposals that the Confederation find requires caution or adaptation

1. Extensive and Early Project Maturity Requirements

The guidance points to stricter requirements for obtaining and retaining a place in the grid connection queue.

Confederation assessment and message: Too high or early requirements can delay industrial investments. Innovative projects with phased development risk being disadvantaged. Maturity requirements should be proportionate and implemented gradually. The system must allow flexibility in early development stages.

2. Overimplementation of EU Guidance

The EU document is guidance, not binding.

Confederation assessment and message: An overly strict national implementation could reduce flexibility and increase administrative costs. Sweden should use the guidance as support, not as a template. National solutions must be adapted to Swedish conditions.

3. Focus on Efficiency Without Corresponding Grid Investments

More efficient connection processes cannot replace the need for new investments in the electricity grid.

Confederation assessment and message: Without significant increased grid investment, electricity shortages and bottlenecks may persist or worsen. Efficiency and flexibility must be combined with faster permitting processes and increased investment in grid infrastructure.

Confederation of Swedish Enterprise summary recommendations on grid guidance

The Confederation of Swedish Enterprise urges the government to 1. Prioritize reforms that shorten lead times for industrial grid connection projects. 2. Introduce maturity criteria that are proportionate, transparent, and legally secure. 3. Enable flexible technical solutions for better utilization of electricity networks. 4. Ensure long-term and stable conditions for investments in both industry and the grid. 5. Avoid over-implementation of EU guidance that could reduce competitiveness.

Fast and predictable access to electricity is a fundamental prerequisite for Sweden to maintain and develop its industrial competitiveness. The European Commission’s guidance provides important building blocks, but it is essential that implementation in Sweden focuses on growth, investments, and the needs of industry.