E.DSO
SHAPING SMARTER GRIDS FOR YOUR FUTURE

Position Paper

Securing the EU's Competitiveness and Affordability with Electricity Grids: E.DSO's Position for the 2028–2034 Multiannual Financial Framework (MFF)

June 2025

Contents

Introduction

European Distribution System Operators (E.DSO) represents Europe's leading distribution system operators (DSOs), responsible for managing electricity distribution grids throughout Europe. E.DSO's member companies collectively distribute electricity to some 200 million connection points for EU citizens and businesses. E.DSO works to ensure reliable and sustainable electricity supply for all European citizens, foster innovation, and enable the energy transition.

E.DSO welcomes the Commission's ambition to strengthen the EU's competitiveness through the upcoming Multiannual Financial Framework (MFF). The energy transition is a critical challenge for Europe, and DSOs are at its heart. To succeed, it is crucial that the next EU budget recognises the essential role of grid infrastructure in consistently delivering affordable energy, fostering competition, and ensuring no region or citizen is left behind. Indeed, as the recent blackout in the Iberian Peninsula clearly showed, society grinds to a halt without the flow of electricity.

Expanding and modernising Europe's electricity grids is essential for integrating renewable energy sources (RES) and thereby reducing energy costs. It is also instrumental in electrifying and decarbonising society, as well as developing new energy-intensive technologies like artificial intelligence, data centres, and supercomputers.

The war in Ukraine has further exposed the vulnerability of Europe's energy system and accelerated the urgency of reducing dependence on energy imports. In this new geopolitical context, energy security has become inseparable from the energy transition. Distribution grids are essential to delivering a resilient and autonomous energy system based on domestic renewable generation and strengthened local infrastructure.

Europe's global competitiveness depends on strong electricity grids, which form the backbone of a modern industrial economy. High-quality grids that deliver reliability and confidence to industry and consumers are themselves a competitive advantage for Europe. Without substantial investments in grid development, Europe risks falling behind globally, delaying progress towards energy independence and hampering the energy transition. Europe's grids are ageing, and new grids will benefit generations to come.

A dedicated clean energy investment strategy for Europe, including a de-risking initiative to unlock private capital and prioritise investment in clean energy infrastructure, including grids, is therefore needed, as clearly stated in the mission letter to Commissioner Dan Jørgensen. This investment strategy should make sure that it is not just the consumer bearing the cost through increased tariffs.

With the next MFF under development, E.DSO would therefore like to highlight key recommendations to ensure that the funding framework is adapted to the critical role of DSOs in driving competitiveness, affordability, and the clean energy transition.

In this paper, we will first identify the current funding gaps for DSOs, then show how each pillar of the next MFF: Horizon Europe, CEF, Cohesion and other instruments, must adapt to close those gaps, before turning to the regulatory and shared-benefit models that will secure long-term success.

Strengthening EU Competitiveness and Affordability with Electricity Grids

Competitiveness and affordability in the energy sector are closely linked. Modernising grid infrastructure drives down energy costs for consumers and enables businesses and industries to operate more efficiently, thereby strengthening the EU's global competitive position.

As underlined in the Letta report (2024): "*Leveraging the full benefits of the Single Market in the energy sector requires in the coming years a further leap in interconnectivity and a massive investment in Europe's infrastructure networks*", including "*upgrading the electricity transport and distribution*", to "*maximise Europe's renewable potential, ensure secure and more affordable energy and expand energy supply choices for industry*". This is also highlighted in Draghi report, which considers the high energy prices as one of the biggest breaks on EU competitiveness and EU industries' ability to grow.

According to Bruegel (*Decarbonising for competitiveness: four ways to reduce European energy price*), in 2023, EU industrial electricity prices were 158% higher than in the United States. This price differential is contributing to reducing profit margins for European manufacturers and discouraging investments. However, network costs do not comprise the main driver of high electricity prices for industry[1]. On the contrary, modern electricity networks are a strategic lever to close Europe's energy-price gap with global competitors. Strategic investments in electricity grids are essential to strengthening industrial competitiveness, as they enable better access to stable and lower-cost renewable electricity, support the development of dedicated industrial supply corridors, and reduce dependence on volatile fossil fuel-based energy generation. By improving the efficiency, capacity, and flexibility of the grid, such investments can unlock more predictable and competitive electricity pricing for energy-intensive industries across the EU.

Without substantial investments in grid development, Europe risks falling behind globally, delaying progress towards energy independence, hampering the energy transition, and further raising the cost of energy for individuals and businesses alike. Our grids must be strengthened not just for 2030, but for a future in which Europe remains a leader in the global clean energy race. Grid investments are not just a cost, but a strategic investment in Europe's future.

By reinforcing electricity grids, the EU can unlock economies of scale: clean power generated in one Member State flows to where it is needed most, helping to reduce electricity price differences.

New electricity infrastructure reduces technical losses, allows the implementation of technologies that are difficult/expensive to retrofit to old infrastructure, lowers operating expenses and integrates cheap electricity from wind and solar. Smart-grid digitalisation further boosts efficiency by enabling demand response, dynamic pricing and real-time balancing, so that consumption shifts to hours of abundant supply rather than peak-driven high prices.

Future-proof networks support Europe's industrial growth and strategic autonomy. Sufficient capacity and resilience guard against outages, extreme-weather disruption and security threats, while supporting electrification of transport, heating, data centres, and other new loads. In short, our grids are not just cables, they are the backbone of a more affordable, reliable and competitive European energy system.

Grids are not only essential infrastructure but also a key industrial asset, recognised as strategic for the energy transition by the Net-Zero Industry Act. Yet Europe still faces constraints in the production of certain grid components, and securing critical raw materials like copper and aluminium remains challenging. To strengthen the resilience of the entire grid supply chain – and as DSO demand for equipment such as cables and transformers continues to grow – EU funding should support DSOs, many of which prioritise European suppliers. This would in turn boost demand for EU-made products essential to decarbonisation and electrification, in line with the Clean Industrial Deal.

[1] According to the *Affordable Energy Grid Action Plan*, network charges for industrial customers in the EU-27 declined to just 14% of total electricity costs in 2023—down from around 30% in previous years—while taxes and levies made up only 11%. Furthermore, the recent WindEurope-VaasaETT report "Revamping electricity bills for a competitive and secure Europe", April 2025, shows that in absolute terms, network charges are very similar in the EU and USA (despite higher grid quality in the EU).

Skills are also a key pillar of the EU's competitiveness, and the grids sector is no exception to that. In its Union of Skills communication[2], the European Commission estimates that, in 2030, the energy workforce will need to grow by 50% to deploy renewable energies, grids and energy efficiency technologies. Meeting this challenge will require substantial European public investment to adapt vocational training programmes to the specific needs of the grid industry, support skills portability, and promote inclusion and diversity. Likewise, Erasmus+, a highly successful programme, could have an even greater impact by introducing a dedicated subprogramme focused on strategic sectors of the energy transition, such as grids, helping to build a truly European energy workforce.

The EU DSO Funding Gap

As recently highlighted in Mario Draghi's report[3],*"infrastructure investment is slow and suboptimal, both for renewables and grids"*. He further notes that "*if there is one horizontal area in the energy sector whose importance cannot be overstated, it is the EU's energy grids".* A survey conducted in 2023 by E.DSO, with the support of the EU DSO Entity, also highlighted funding gaps for DSOs[4] and brought to light their dissatisfaction about the availability and accessibility of funds. While their strategic importance for European sovereignty is widely acknowledged, the lack of funding to guarantee this remains an undeniable fact.

For Smart Electricity Grid Projects, CEF-Energy is limited to projects that were shortlisted as PCIs, with a cross-border design, and therefore cannot cover local DSO needs. Other EU funding opportunities such as the Cohesion Fund, ERDF, RRF or the Modernisation Fund are available for electricity grids in some Member States, but not all. According to the European Commission[5], in Member States where DSOs have access to these programmes, they are not receiving enough support.

The EU will not be able to gain competitiveness simply by expanding existing cohesion and modernisation programs. In addition to existing funding opportunities, DSOs require more targeted funding at the EU and national levels that directly supports grid infrastructure projects. While there are EU funds targeting cross-border energy infrastructure, the emphasis on distribution grids has in comparison been limited. Addressing this imbalance is essential to ensuring a robust energy infrastructure that integrates not only the centralised, but also decentralised generation.

E.DSO's Recommendations for Framework Programme 10 (Horizon)

The Horizon programme is well recognised for its support of R&D&I projects at EU level. DSOs that were interviewed for E.DSO's funding report "*Assessing EU Funding Priorities – Connecting the missing pieces to solve the DSO funding puzzle (2023)*" recognised that Horizon 2020 and Horizon Europe helped them to speed up the implementation of their projects, in particular with the acceleration of the piloting of innovative solutions. It also gives a unique opportunity to access new knowledge thanks to scientific cooperation and collaboration with partners across Europe.

However, the programme's focus on OPEX often overlooks the crucial financing of hardware that forms the backbone of the DSO industry. The programme could potentially play a more significant role in financing innovative equipment that would not be admitted as a regulated assets and thus help to remove the financing obstacles for DSOs as regulated businesses. Another major concern is that, once projects

---

[2] The Union of Skills, European Commission, 5 March 2025

[3] Mario Draghi (2024) The future of European competitiveness – A competitiveness strategy for Europe

[4] https://www.edsoforsmartgrids.eu/edso-publications/assessing-eu-funding-priorities-connecting-the-missing-pieces-to-solve-the-dso-funding-puzzle/

[5] European Commission: Directorate-General for Communication, *EU action plan for grids*, Publications Office of the European Union, 2023, https://data.europa.eu/doi/10.2775/919160

financed by Horizon end, they often struggle to keep momentum, leaving DSOs without key partners heavily dependent on continuous funding.

In the survey launched by E.DSO in late 2023, respondents noted that consortium sizes are often too large, and Horizon projects require strict planning, which may conflict with the innovative nature of such projects and lead to execution challenges.

Additionally, we are listing below some specific issues identified in a survey by the EU-DSO entity in summer 2024 and in a recent internal discussion of E.DSO members: High competition for relatively small budgets and small number of project opportunities – at the time when energy sector is becoming more decentralised and requires solutions tailored to local needs.

- CAPEX depreciation is only allowed for the duration of the project
- Very few subsidies aimed at backbone investments (criteria focus too narrowly on innovation)
- Long time to grant agreement (between submission and start of the project)
- Fiscal treatment of subsidies under state-aid rules
- High technology-readiness thresholds, which make it hard to apply for longer-term projects
- The programme calls are often not published with sufficient time advance to allow proper time for consortium and proposals preparation
- There are too many different programmes with different participation conditions and focus (Horizon Europe, Digital Europe, LIFE, etc.), which is difficult to navigate. Digitalisation is key part of innovative activities for DSOs, and the innovation programme should provide focused funding and space for implementing the required solutions.

The programme has proven its value in accelerating R&D and piloting innovative solutions. For the next MFF, Horizon should be continued and appropriately funded with the improvements that address the challenges above taken into account. However, Horizon-type funding has inherent limitations that mean that it can only be a part of an overall funding programme toward ensuring adequate DSO infrastructure investment.

CEF Funding for Smart Electricity DSO Projects

E.DSO is pleased to see the Commission's intention to keep the Connecting Europe Facility (CEF) in the next MFF. The Smart Electricity Grid (SEG) category on the PCI list has over the years enabled a couple of large-scale SEG projects, and we believe it has the potential to support additional projects with significant impact on the EU's energy system. Well-functioning cross-border connections rely on the close interplay between transmission system operators (TSOs) and DSOs. TSOs manage high-voltage, long-distance electricity transmission and DSOs ensure efficient distribution to end-users – together they form a system of systems that delivers on TEN-E objectives.

However, the need to demonstrate the cross-border impact hinders the participation of distribution grid projects, since distribution grids are local by nature while transnational grids are managed by TSOs. As a result, between 2014 and 2020, the CEF allocated only EUR 237 million to distribution grid projects, which represented 4% of the total EUR 5.324 billion allocated over the seven years. In the current 2021-2027 MFF, the latest 2023 PCI/PMI list contains only five distribution grid projects out of 166 selected projects[6].

[6] Source: Investors Dialogue on Energy, Working Group 2 - Transmission & Distribution, 2023 Apr 28

The 2022 revision of the Trans-European Networks for Energy (TEN-E) Regulation expanded the scope of eligible projects to include new technologies and sectors. However, this expansion was not matched by an increase in the CEF budget. As a result, the available funding is now spread across a broader range of areas, risking dilution of impact. In 2023, 80% of the CEF budget was dedicated to CO_2 infrastructure, and the current candidate list of Projects of Common Interest (PCIs) includes 200 hydrogen-related projects.

While innovation is important, CEF Energy must remain focused on infrastructure that clearly delivers on the core objectives of TEN-E: cross-border relevance, market integration, and security of supply. It is essential that CEF does not become a generic funding platform for emerging technologies that, while interesting, do not offer comparable system-wide benefits. Maintaining the strategic clarity of CEF will ensure that limited EU resources are channelled into projects with the highest added value for the energy transition and European competitiveness.

Ultimately, the current budget allocated to the Connecting Europe Facility (CEF), falls short of what is needed to effectively support the European Union's ambitious decarbonisation and reindustrialisation goals. A significant increase in funding is therefore essential to ensure the EU can meet its strategic commitments and maintain its competitiveness.

Cohesion Funding to Support the Energy Transition

In the context of the next MFF, the Commission should move from a logic of what *could* be funded to what *should* be funded — ensuring that cohesion instruments actively support distribution grid projects adequately is in line with the EU-wide priorities on achieving the energy transition. In addition, if Cohesion Policy funds are required to support additional priorities, there would be an enlargement of the policy´s scope, raising concern about a potential dilution of impact unless the budget is appropriately adjusted to align with the new objectives.

Cohesion in the EU also depends on grid modernisation. While Cohesion Policy funds support a wide range of projects, aligning national programmes with strategic EU energy goals remains a challenge. A recent European Commission evaluation of programmes under the Common Provisions Regulation (CPR) revealed that only 4% of energy-related funding was dedicated to grids. This is clearly insufficient compared to the investment need. For the next MFF, stronger direction is needed from the Commission to ensure cohesion funding plays its full role in supporting the electricity infrastructure that underpins competitiveness, decarbonisation, and territorial cohesion. Some possible solutions to improve absorption rates include reducing the complexity of rules and procedures, tailoring them more to the instrument used and reducing uncertainties regarding the application of key principles and eligibility.

The next MFF should give clear priority to investments that reinforce the resilience of the EU's critical energy infrastructure. This grows even more important with increased risks due to climate change but also in the face of higher political risk. Sufficient resources should be allocated to grid investments, notably to replace obsolete assets, reinforce and expand the network where necessary, improve both physical and cyber resilience, and enable the secure digitalisation and automation of electricity systems.

In addition, a very important point that the proposed National Plans must ensure is to improve the disbursement process by implementing a pre-financing mechanism. Both Cohesion Policy Funds and direct EU funds (like Horizon EU) include pre-financing possibilities, though the percentages greatly vary. The future National Plans should include a minimum pre-financing rate of 30% to be applied in every Member State, allowing beneficiaries to access upfront resources and launch projects without cashflow constraints.

Budgetary Resources for DSO Investments

While private investments play a key role, public funding is crucial to bridging the financial gap and enabling large-scale grid developments that deliver a sustainable, reliable, and affordable energy system. Public funding for grid infrastructure acts as a catalyst by unlocking substantial private investments. Indeed, in the European Commission's Guidance on Anticipatory Investments[7], the Commission notes that "…where relevant in targeted cases, Member States could make use of their public budget to lower network charges to cover the additional costs resulting from major network investments necessary to accelerate decarbonisation and market integration, in compliance with the legal framework, State aid rules and competition law." If this is appropriate for Member States, it is likewise often appropriate at EU level, particularly where those investments benefit more than one area and/or help achieve EU goals. The guidance has other suggestions on use of congestion income, state loans and state guarantees that could also be applicable, with some adaptation, to EU level.

To source funding for grids, the European Commission can leverage a combination of existing and innovative funding sources:

- **EU Emissions Trading System (ETS) Revenues:** The ETS generates billions in annual revenues from the auctioning of carbon allowances. A more holistic approach would be to reinvest these revenues into projects that accelerate the electrification – including the necessary grid infrastructure.

  Member States should be required to allocate ETS revenues fully to projects that contribute to the EU's climate and environmental goals – where electricity grids are a natural fit due to their enabling role in renewable integration, electrification, and system efficiency.

  The expansion of the EU ETS (ETS2) to buildings and road transport from 2027 will create additional revenue streams. A clear investment framework should be put in place to ensure that these funds support structural climate-related investments. In this context, we strongly support the continuation of the Modernisation Fund, which plays a key role in supporting infrastructure upgrades in lower-income Member States.

- **EU Green Bonds and Commission-Backed Borrowing:** The European Commission could issue EU Green Bonds or contract low-cost loans itself to raise capital. This method has already proven effective in financing the NextGenerationEU recovery plan. By leveraging the EU's strong credit rating, the Commission could secure financing at highly favourable terms, using the proceeds to fund grants for DSOs. The additional debt incurred by Europe would be justified, as these investments will benefit not only this generation but several to come.

The Value of Public Funding

Grants are widely recognised as the most beneficial support mechanism for DSOs, offering advantages in financial stability, tariff relief, stakeholder engagement and risk mitigation:

• **Financial Relief and Stability:** The upcoming investment pipeline creates significant pressure on the financial equilibrium of DSOs, with many DSOs having already reached their debt capacity. Consequently, conventional financing instruments (i.e., loans, guarantees) will not address the funding challenge. Instead, grants provide crucial support in mitigating financing costs and relieving debt capacity. By

[7] Commission Notice on a guidance on anticipatory investments for developing forward-looking electricity networks, Brussels, 2.6.2025, C(2025) 3291 final.

alleviating some of the financial burdens, grants enhance the financial stability of DSOs, leading to additional strategic investments.

• **Tariff Relief:** Grants prevent substantial tariff increases, making energy bills more affordable for all customers. This improved affordability supports socio-economic development, ensures fair cost allocation across society, particularly when investments benefit multiple regions beyond a single grid area.

• **Awareness and Acceptance:** Grants help elevate regional and national awareness of the challenges and benefits associated with grid expansion, the integration of RES, and the electrification of different sectors of the economy. This increased awareness fosters broader public and political support for these essential initiatives.

• **Grants as investment catalysts and risk mitigators:** Grants play a dual role by both making otherwise economically unfeasible grid-modernisation and expansion projects viable and by significantly reducing the financial risks these large-scale investments entail. This support lowers uncertainty for DSOs, encouraging them to invest in higher-value projects and technologies with advanced Technology Readiness Levels (TRL). In the long run, such funding ensures network reliability and efficiency, enabling DSOs to innovate and meet future demand while mitigating financial risks.

Grants not only boost DSOs' financial operations, but also supports broader energy policy goals, making them indispensable in the pursuit of a sustainable and resilient energy infrastructure.

Equal Treatment and Predictable Regulation for DSOs

When considering financial strategies for DSOs, it is crucial to evaluate the impact of various investment instruments, not only on the immediate financial impact of an investment, but also on the broader economic and regulatory landscape.

De-risking strategies by DSOs aim to lower debt and reduce investment uncertainty, leading to reduced expenses while maintaining investment returns. However, when National Regulatory Authorities (NRAs) respond to decreased risks by inappropriately lowering the rate of return, it fundamentally erases the effect that was to be generated by the measure in the first place.

It is very important to highlight that the effectiveness of grants as investment incentives is compromised when NRAs neutralise assets financed by grants in the Regulatory Asset Base (RAB) and tax these grants. This redirects public funds away from project development and undermines the rationale for DSOs to engage in lengthy and complex application processes for financial support, thereby preventing them from realising the full benefits of strategic funding efforts for critical infrastructure projects.

An enabling, supportive and predictable regulatory framework is paramount for securing the necessary investments in distribution grids. Within such a framework, network tariffs will remain the cornerstone of DSO financing even as grants play a greater role. Rating agencies place significant value on regulatory certainty and uncertainty will lead to lower credit ratings and higher capital costs (which ultimately penalises consumers). Stability and predictability in regulation are essential for DSOs to obtain favourable financing conditions.

Given that DSOs in a Member State may use different amounts of subsidies, it is important for regulators to take this into account properly and fairly in any comparison between different DSOs. DSOs that effectively manage to attain subsidies must be able to benefit from them without being subject to sterilisation. At the same time, DSOs who do not have the same possibilities or ambitions should not be penalised.

To ensure that public funding of grid infrastructure delivers real impact without distorting regulatory incentives, E.DSO proposes that appropriate regulatory developments be established, redefining the

framework that allows subsidies to be effective. To give a particularly salient example, new measures can be proposed in relation to regulatory depreciation.

Why regulatory depreciation makes sense:

- Regulatory depreciation is not about profit but about ensuring that DSOs can sustainably operate and maintain assets financed by grants.
- If CAPEX is funded but not recognised in revenue regulation, but there are increased OPEX costs, there will be an imbalance in the regulatory framework. That imbalance will lead to distortion in benchmarking exercises, where DSOs that have received funding will come out as inefficient, simply because they have higher OPEX without corresponding CAPEX, ultimately, penalising them under performance-based regulation.

To avoid such unintended and counterproductive outcomes, recognising regulatory depreciation of funded assets is essential for creating a level playing field within the EU, protecting long-term grid performance, and making efficient use of public funds. As part of the MFF negotiations, if a 'money for reform' logic were to be applied, it should support efforts by Member States to enable such shared-benefit models.

The European Added Value of DSO Projects

In advancing the objectives of the European Union's energy and climate policies, it is essential to recognise that national grid infrastructure plays a fundamental role in the internal market — even when these grids do not physically cross borders. While the term "trans-European networks" traditionally implies a physical interconnection, the significance of infrastructure for the functioning of the internal market and the Union's strategic goals must be the guiding principle.

The success of the internal energy market hinges not only on cross-border projects but also on the reinforcement and modernisation of national networks that are embedded within a shared European system. Many of the EU's strategic objectives, from the integration of renewable energy to the electrification of end-use consumption, digitalisation, and system flexibility, cannot be achieved without robust distribution infrastructure at national level.

This understanding is firmly rooted in EU policy and law. The European Grid Action Plan and the Affordable Energy Action Plan both underline the need for substantial investments within national borders, especially at the distribution level. The Distribution grids must accommodate decentralised renewable energy generation, storage and new flexible demand from electric vehicles and heat pumps, while at the same time playing a key role in enabling smart grid functionalities.

Distribution grids must accommodate decentralised renewables, new flexible demand such as electric vehicles, heat pumps, and must tackle new challenges resulting from electrification of most sectors of economy and the increasing demand. All this also plays a key role in enabling all smart grid functionalities.

The European Commission has explicitly stated that the internal market benefits not only from cross-border capacity but also from well-connected national grids that offer security of supply, price stability, and faster renewables integration. Investments in local infrastructure are indispensable, not secondary to reach EU goals.

From a legal standpoint, Article 171 of the TFEU and supporting jurisprudence confirm that the defining criterion for "trans-European" relevance is not necessarily a border crossing, but rather the infrastructure's role in achieving Union-wide objectives. Projects located entirely within one Member State can have clear transnational significance, particularly when they address bottlenecks, enhance system flexibility, or contribute to regional cohesion.

A harmonised interpretation is needed in the context of EU funding. The current approach risks excluding strategic national infrastructure from funding frameworks due to overly restrictive definitions of cross-border relevance. As the Commission has acknowledged in its communications, a "new approach to identifying and supporting local network projects"[8] is required to prevent fragmentation and ensure an inclusive transition.

The transnational nature of an infrastructure projects should not be determined solely by geography but by its functional value to the European internal market. Distribution grids, even when confined within one Member State, can deliver European value, drive competitiveness, and support the Green Deal. The EU's funding frameworks, including those in the next MFF, must fully recognise this reality.

Conclusions and recommendations

The Letta and Draghi reports provide compelling evidence that high energy prices and underinvestment in infrastructure are among the greatest threats to Europe's competitiveness. Both reports underscore the urgent need for grid modernisation to fully exploit the Single Market and secure long-term industrial strength. Additional EU borrowing to support infrastructure investments is both economically and morally defensible since grid investments made today will serve generations to come.

Europe must urgently address the DSO funding gap. It is not sufficient to merely expand existing cohesion and modernisation instruments. The EU must ensure that funding is both targeted and predictable, with clearly defined and accessible opportunities for distribution grids across all Member States. Rather than relying on fragmented or uneven access to current programmes, the next MFF must support fit-for-purpose financial channels that enable long-term investment in infrastructure critical for decentralised renewable integration, system flexibility, and electrification.

CEF Energy must be retained and with a sharpened focus. The TSO-DSO interface is essential to the functioning of the internal market and TEN-E objectives. The current envelope is insufficient, and expansion is needed. It is essential to avoid that CEF becomes a generic technology fund but remain focused on infrastructure with high system-wide value, such as electricity grids.

Member States must reform how they incentivise DSOs. This includes equal regulatory treatment of grants and allowing publicly funded projects to be recognised with regulatory depreciation. The sterilisation of grants and the penalising of successful DSOs must end. A "money for reforms" logic could apply, rewarding Member States that adopt benefit-sharing and fair regulatory frameworks. At the same time, reforms should be designed carefully to avoid freezing funds in areas that are not directly linked to the actual reform efforts.

Cohesion funding must be aligned with EU strategic energy priorities. In the next MFF, Cohesion Policy, and its likely successor instruments through National Plans, must be explicitly guided by a common European energy infrastructure strategy. Today, only a small fraction of cohesion spending supports grid investments, despite their critical role in decarbonisation. Stronger Commission direction is needed to ensure that Member States prioritise electricity distribution grids as a central pillar of cohesion, competitiveness, and the just transition.

The added value of DSO projects to the EU as a whole must be formally recognised. Even when contained within a single Member State, national grid infrastructure can provide transnational benefits by enabling renewable integration, reducing system costs, and strengthening the internal market. EU funding eligibility must reflect this functional contribution to Union-wide goals.

[8] Grids, the missing link - An EU Action Plan for Grids

E.DSO

SHAPING SMARTER GRIDS FOR YOUR FUTURE

E.DSO is a European association gathering leading electricity distribution system operators (DSOs) **shaping smart grids for your future.**

www.edsoforsmartgrids.eu