
MORNING ENERGY & CLIMATE

By GABRIEL GAVIN

with ZIA WEISE and FEDERICA DI SARIO

SNEAK PEEK

- **A snap election in Spain**, which follows searing droughts, could have huge implications for energy policy.
- **EU ambassadors are discussing electricity market reforms** within the sweeping changes proposed by the Commission.
- **Climate change is bringing a new EU fleet of firefighting aircraft** to a blaze near you.

Good morning — it's Wednesday. Get in touch with the team to share tips and feedback on ggavin@politico.eu, vjack@politico.eu, fdisario@politico.eu, zweise@politico.eu and kmathiesen@politico.eu or follow us on Twitter at [@GabrielCSGavin](https://twitter.com/GabrielCSGavin), [@victor_jack](https://twitter.com/victor_jack), [@fed_disario](https://twitter.com/fed_disario), [@ZiaWeise](https://twitter.com/ZiaWeise) and [@karlmathiesen](https://twitter.com/karlmathiesen).

DRIVING THE DAY

SPAIN'S ENERGY ELECTION: With his party having taken a beating in local and municipal polls, Spanish PM Pedro Sánchez [announced](#) on Sunday that he would dissolve parliament and call a snap election for July 23. With the country's presidency looming, however, and with analysts warning that the campaign could jeopardize the fight against climate change, Spain's politicians might not be the only ones feeling the heat.

Fuelling flat: Madrid revealed on Tuesday that the national inflation rate had hit a two-year low, easing pressure on consumers. Cheaper fuel was behind that 0.1 percent fall, our colleague Geoffrey Smith [reports](#), as Europe emerges from a major energy crisis. The recovery, however, appears not to have boosted the popularity of Sánchez's governing Socialist Workers' Party.

Quo vadis? Spain assumes the presidency in July, adopting crucial files only weeks before a possible change in government. As one Spanish diplomat told my colleague Victor, however, "nothing changes for now," and no disruption to EU legislation is expected.

Green vote: Energy analysts are [reportedly](#) concerned that the snap election could slow regulatory approvals of green technology, as well as permitting for new energy infrastructure and renewables-capacity subsidies.

Rain in Spain: All this comes amid a serious drought that has sparked sympathy for the country's farmers and damaged its wetlands. The response, however, has taken on a political dynamic and has triggered a war of words among Madrid's major political parties, as my colleague Antonia Zimmermann recently [reported](#). With the election battle heating up, Sánchez may now have to defend his environmental record to secure reelection.

ENERGY POLITICS

POWER MARKET REVAMP: Future energy crises, mandatory subsidy schemes and capacity mechanisms top the political agenda today as EU ambassadors discuss the Commission's [electricity market reform](#) proposal.

On the grid: The executive's targeted proposal, which it presented in March, aims to reduce long-term prices for consumers and to support the rollout of renewables across the bloc. The Swedish presidency has not suggested major changes to the text to date, apart from [restricting the Commission's powers](#) in future energy crises. In its latest May 12 revision, which Victor got his hands on ([here](#)), it suggests changes to flexibility needs and to transmission grid access for offshore renewables. At the same time, the Parliament's chief negotiator has taken the somewhat radical step of advocating [permanent](#) revenue clawbacks by EU countries during energy crises.

Political agenda: Today, ambassadors will provide political input on the thornier topic of two-way, contracts-for-difference subsidy schemes, according to an internal document seen by Victor. Possible solutions include increasing the flexibility of EU capitals in using CfDs; altering the length of the transition period on implementing the rules, in order to account for ongoing projects; and rules for redistributing excess revenues to consumers. The length of emergency measures deployed by governments in future energy crises will also be a key topic, the document states.

There's more: The presidency, the document notes, also "believes that there might be a need to address certain concerns" from some EU countries who favor a greater role in the text for capacity mechanisms — which ensure that stable sources of generation are always available; one EU diplomat said that "about a dozen" countries had requested this. The document indicates that adequacy — the balance between supply and demand in the grid — and streamlining capacity mechanisms might also be on the cards. All in all, however, countries remain divided into roughly the same "significant reform" and "gentler reform" camps on these issues, a second EU diplomat said, with a wider agreement not expected today.

CLIMATE POLITICS

CLEANTECH INVESTMENTS RISING: Transatlantic investment in clean-energy technologies has increased steadily over the past 10 years, according to a Tuesday [report](#) commissioned by Breakthrough Energy as a two-day EU-U.S. Trade and Tech Council summit kicked off.

Context: The biannual gathering of senior EU and U.S. officials — including Commission Executive VP Margrethe Vestager and U.S. Secretary of State Antony Blinken — comes amid continued tension over American subsidies for domestic electric-car production. More from Mark Scott [here](#).

The deets: Between 2012 and 2022, participation by U.S. investors in EU deals rose sevenfold, while EU investors became three times more active in U.S. dealmaking, the report showed. Moreover, whenever U.S. venture capital participates in EU dealmaking, the final capital tends to be significantly greater, ultimately benefiting EU innovators and allowing them to reach growth funding more quickly. Data showed that 31 percent of deals involving U.S. investors amounted to over \$100 million, while only 8 percent of deals concluded with no U.S. participation hit that figure.

Disconnect: Despite a growing interest in clean tech on both sides of the Atlantic, the report blames a lack of coordination between the respective R&D agendas of Washington and Brussels for hindering innovation breakthroughs. “The current state of affairs appears disconnected, lacking the necessary exchange of ideas and collaborative efforts across the Atlantic,” said Bryan Shill, an investor at San Francisco-based Prelude Ventures.

Say what? Another obstacle to the creation of a common green marketplace consists of policies that make it hard for foreign investors to understand local requirements to access tax credits or direct subsidies.

CLIMATE IMPACTS

FIRE-SEASON PREP: The EU, anticipating a severe wildfire season, has doubled its emergency firefighting fleet, Crisis Management Commissioner Janez Lenarčič announced on Tuesday; more [here](#) from Zia.

Details: The bloc’s rescEU service, which countries can summon if their own firefighting capacity becomes overwhelmed, consists this summer of 28 aircraft, up from 13 last year. The Commission has shared the full list of participating countries and the aircraft they’re providing [here](#).

Promise kept: Commission President Ursula von der Leyen promised to double the fleet’s capacity during her State of the Union speech last year, after countries filed a record number of requests for rescEU assistance in 2022.

ICYMI: [Lenarčič told Zia](#) last year that the Commission and six EU countries had signed letters of intent with Canadian manufacturer De Havilland to produce 22 firefighting planes as part of a permanent EU fleet to be established before the end of the decade. “We need to work on some last remaining details, and then we will have to wait for the member states to ... sign the contracts,” Lenarčič said. “I think that this could be done sometime soon.”

Happy birthday: Lenarčič was speaking at the EU’s Emergency Response Coordination Center, which celebrated its 10th anniversary on Tuesday. “Over this decade, we have noticed worrying trends concerning the increased frequency and intensity of extreme weather related events,” he said. The increased firefighting capacity “is a concrete example of learning the lessons and preparing for future challenges.”

EMISSIONS

COP30 IN THE AMAZON: Belém, a Brazilian city referred to (unoriginally) as a “gateway” to the Amazon River and rainforest, will host the U.N. climate conference in November 2025, the Brazilian government has [confirmed](#).

Slash and burn: “If everyone’s talking about the Amazon, then why not hold the [COP] in an Amazon state so that they can find out more about the region?” asked Brazilian President Luiz Inácio Lula da Silva. Battling deforestation has been high on Lula’s agenda, and remains one of his main beefs against former President Jair Bolsonaro, under whose 2019-2022 rule deforestation in the Amazon increased by 150 percent, helping to turn the once-pristine rainforest into a net CO2 emitter.

AROUND THE CONTINENT

GERMANY: Proxima Fusion, a Munich-based startup, has secured enough funding to begin developing devices known as stellators, which create electricity by slamming atoms together, the FT [reports](#).

FINLAND: U.S. firm Plug Power has announced it intends to spend €1 billion building three green hydrogen plants in Finland, although a final investment decision will not be taken until 2026; news agency Yle has [more](#).

SPAIN: Despite recent rains, water levels in Spanish reservoirs continue to fall, with inventories now at less than 50 percent, compared to the 10-year average of 68 percent for this time of year. The situation is most dire in the Guadalquivir basin, which includes [the Doñana National Park](#). El País [has details](#).

HEADLINES

Here’s a recap of yesterday’s news, along with Pro articles and alerts from overnight.

[German MEPs sow chaos ahead of big vote on sustainable supply chains](#)

Christian Democrats lead calls to vote down Parliament compromise on Thursday — but they may lack the votes.

By Sarah Anne Aarup, Hans von der Burchard · May 30, 2023, 5:02 PM

[EU doubles firefighting fleet as drought raises fears of more wildfires](#)

By Zia Weise · May 30, 2023, 1:27 PM

[France’s Le Maire: EU should drop Euro7 car pollution rules](#)

By Giorgio Leali, Wilhelmine Preussen · May 30, 2023, 12:24 PM

[Four countries push for EU action on private jets](#)

By Mari Eccles · May 30, 2023, 10:50 AM

Pro Intelligence Connections

[2023/0077\(COD\) Union’s electricity market design](#)

Committee referral announced in Parliament, 1st re...
[May 30, 2023 • European Commission - Press release](#)

This email alert has been sent for your exclusive use as a POLITICO Pro subscriber. Forwarding or reproducing the newsletter without the express, written permission of POLITICO Pro is a violation of the POLITICO Pro license agreement.

This email was sent to philipp.offenberg@breakthroughenergy.org
[Unsubscribe](#) [Update settings](#)

POLITICO SRL · Rue de la Loi 62 · Brussels 1040 · Belgium