BEYOND FOSSIL FUELS

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Energy market “Wild West”

European capacity mechanism 2026 state of play



Introduction

The recent energy price spike has once again highlighted that dependence on burning gas for power is a risky approach. Yet despite the clear energy security imperative to get off gas; since 2025, five European governments have likely awarded an estimated €13.6bn in capacity market contracts to fossil fuel assets. This brings the overall total allocated to fossil assets via Europe's capacity markets since 2014 to around €64.7bn: around 58% of the estimated €110.7bn total value of the contracts.[1]

These numbers demonstrate the structural bias of capacity mechanisms towards fossil fossils. This presents a double-blow for energy bill payers. These contracts are paid via levies on energy bills, adding billions in costs for households and businesses. Long-term contracts to gas plants also keep countries locked into volatile fossil fuel markets for longer, and mean that expensive gas continues to set the majority of wholesale electricity prices.

There is a concerning lack of oversight over Europe's capacity markets. Our evidence suggests that advancements in Germany, Poland and Italy may violate EU state aid rules; with the schemes manipulated to favour gas power plants. We urge the European Commission to enforce technology neutrality rules to ensure clean flexibility technologies have equal access; and ensure there is robust evidence of the necessity of these subsidies so that they do not reflect political whim or bias modelling assumptions.

It is particularly important that EU watchdogs address the capacity market "wild west" this year. A number of capacity markets will require EU state aid reapproval in the coming years, as they come up to their 10-year lifespan. At the same time, a number of countries are looking to introduce capacity markets. It would set a truly dangerous precedent should Germany be allowed to move forward with its 'ad hoc', gas-bias capacity market plans.

The clear, viable alternative to a gas-dominated system is a renewables-based approach, replacing the role that gas currently performs to provide flexibility with clean solutions like batteries, demand side response, interconnectors and long-duration energy storage. EU governments should make full use of the current Flexibility Needs Assessments process and introduce ambitious fossil-free flexibility roadmaps off the back of these assessments.

[1] Beyond Fossil Fuels analysis of national capacity market auction results (2025–2026), building on Aurora Energy Research (2025), *Capacity Remuneration Mechanisms in Europe*. Methodology and estimated data available at https://docs.google.com/spreadsheets/d/1oETL2Ipr3UQrfPnU-3RJBATZSxxCxP4xjmRDnvS-zsQ/edit?usp=sharing

Overview of key concerns and recommendations

Country	Status	Concerns
Poland 	Active: €5.6bn total awarded over last year (69% fossils)	Poland has designed capacity auctions to support gas plants and rule out storage, which appears in contradiction to EU state aid technology neutrality.
Great Britain 	Active: €8.4bn total awarded over last year (51% fossils)	Great Britain is leading the way with its Clean Power 2030 target, but there is uncertainty over the future of its gas fleet and how it will be phased-out.
Ireland 	Active: €4.6bn total awarded over last year (77% fossils)	Unless guardrails are put in place, Ireland risks adding costs to energy bills to cover the additional energy demand required from data centres.
Italy 	Active: €1.8bn total awarded over last year (unknown%)	Proposed changes to the Italian capacity market could unfairly place batteries on an unlevel playing field to compete against gas plants.
Belgium 	Active: €0.5bn total awarded over last year (70% fossil)	As a country highly exposed to energy price shocks, the strong gas leaning of Belgium's capacity market needs to be steered towards fossil-free flexibility and a renewables-based power system.
France 	Active: Overhaul to centralised scheme	As France makes changes to its capacity market, it will be key to consider how it can effectively integrate demand-side flexibility and storage into the power system.
Germany 	Being introduced: Agreement with Commission	Germany is advancing auctions exclusively for gas plants, in clear contradiction with EU 'technology neutrality' requirements. This would set a dangerous precedent across the EU.
Greece 	Under discussion	The Greek capacity mechanism process has been completely intransparent, lacking an objective analysis based on the country's energy needs. The findings of ENTSO-E's European Resource Adequacy Assessment and Economic Valuation Analysis show minimal adequacy gaps for Greece.
Spain 	Being introduced: Approved by Commission	As a leader on renewables, Spain's newly approved capacity market should not be designed in a way which supports gas plants, but rather accelerates clean flexibility.
Czechia 	Still under discussion	Not much is publicly known about the mechanism. Due to very low renewables buildout in Czechia, the structure of missing capacity in the winter months can lead to favouring gas plants.

Across all existing capacity markets, we sought to break down the total contract value allocated to the different technologies. This information is not publicly available, thus the figures are based on our own calculations. For Great Britain, Ireland, and Belgium, technology information is included in the official auction results, and classification follows directly from those fields. For Poland, no technology or fuel information is published in auction results. Poland's classification is therefore less robust than for the other countries where technology

data is available. For Italy, the auction results for existing capacity do not identify the fuel or technology of individual units, and classification cannot be reliably applied.

Summary of recommendations

- **The European Commission** must ensure Member States are upholding legal requirements. DG Competition must enforce State Aid requirements, including that Member States demonstrate robust, independent analysis evidencing the necessity of capacity auctions; and that auctions do not discriminate against clean technologies. The Commission is actively pursuing multiple infringement proceedings against Member States for failing to transpose or implement Internal Energy Market (IEM) legislation. To protect the integrity of the IEM, it is important that Member States are not allowed to rely on their own energy-only market failures when demonstrating adequacy concerns – particularly where capacity market design disadvantages clean flexibility technologies.
- **National governments** should set a clear policy direction that signposts the long-term phase-out of fossil gas, with parallel steps taken to remove gas plants from capacity markets where they exist.
- **EU Member States** should use the Flexibility Needs Assessment as an opportunity to drive an increase in clean flexibility solutions,[2] publishing Clean Flexibility Policy Roadmaps to scale-up batteries, long-duration energy storage, interconnection and demand side response. Future capacity market investments should be re-channeled to support these approaches. The EU Electrification Action Plan should be used to accelerate a smart and inclusive approach to the electrification of our homes, industries and vehicles, with flexibility baked in from the start.
- **National energy regulators** should take steps to monitor if TSOs are overestimating the amount of fossil gas needed or deliberating discriminating against clean technologies; holding TSOs to account where there are potential violations of the laws governing capacity markets.
- **TSOs and energy regulators** must ensure greater transparency and public engagement across the board to enable better scrutiny. This should include transparency and consultation around data inputs and assumptions to enable scrutiny of the technical aspects of policy design, such as derating factors. There is a particular need for better transparency on auction results in Italy and Poland.

[2] Beyond Fossil Fuels and Climate Action Network Europe set out recommendations for a high-ambition approach here: https://beyondfossilfuels.org/wp-content/uploads/2026/02/Briefing_Clean_Flexibility_Checklist.pdf

Overview of capacity markets in operation in Europe

🇵🇱**Poland:** Battery storage squeezed out of auctions by de-rating factor changes

Country summary

- Key concern: Poland has deliberately sought to use the capacity market to support new gas plants via changes to 'de-rating factors' which run contrary to EU state aid technology neutrality.
- Key recommendations: DG Competition should examine the legitimacy of recent Polish capacity auctions to see if batteries have been unfairly discriminated against. Poland should address this in-balance by setting out an ambitious fossil free flexibility road-map to help scale the alternatives to fossil gas. Poland should be required to adhere to EU State Aid rules as it renews its capacity market this year.

The Polish capacity market has historically sat as an outlier among the European capacity markets for its higher support for batteries and coal.[3] However, in recent years the Polish government has taken deliberate steps to boost support for gas plants in its capacity market auctions through changes to 'de-rating factors' – and the main beneficiaries from the scheme will be gas-fired sources from 2029.[4] This appears to contradict EU State Aid rules, which require technology neutrality and the protection of competitiveness.[5]

Between 2025–2030, the contracted capacity for gas will more than triple from 3.8 GW to 11.6 GW.[6] Most of these are Combined Cycle Gas Units (CCGT) units, which are most economically efficient when they operate for extended periods of time. This makes it likely that they will be used for more than covering peak demand, meaning prolonged gas burning would be subsidised through public funds, directly undermining the creation of a renewables-dominated energy system.

A comprehensive review of the Polish capacity market published by Forum Energii in February 2026 had damning conclusions: that the mechanism is not transparent, has no clear strategic goal, favours gas units, creates risk of capacity oversizing and does not support system flexibility.[7]

Since its state aid approval for the capacity market will soon expire, Poland will be announcing a new proposed scheme shortly. The Commission must ensure that current concerns are addressed in the next version.

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[3] https://beyondfossilfuels.org/2025/01/28/capacity-remuneration-mechanisms-in-europe-report/
[4] https://www.forum-energii.eu/en/capacity-at-any-cost
[5] https://beyondfossilfuels.org/2025/10/28/eu-governments-usher-through-fossil-gas-subsidies-worth-billions
[6] https://www.forum-energii.eu/en/capacity-at-any-cost
[7] https://www.forum-energii.eu/en/capacity-at-any-cost

Understanding 'de-rating factors': A new perspective on energy security needed

A 'de-rating' factor is applied to generation capacity as grid operators assume that 100% of capacity will not be available all of the time. In this way, grid operators can ensure that their analysis of a unit's contribution to security of supply is accurate, and that capacity markets do not over-procure or pay for unreliable capacity.[8] However, these factors have often been used in a way which discriminates in favour of gas plants.

The traditional logic behind derating factors overlooks the different ways that energy units could be used to meet capacity needs. Clean flexibility solutions, such as demand side response and batteries, require a new perspective on energy security. An aggregated pool could cover a multi-hour stress event through sequential or overlapping dispatch of units with shorter individual durations. The real question is not *"can each battery unit deliver 10 hours uninterrupted capacity"*, but rather *"can we call upon an aggregated pool of clean capacity resources on a rolling basis to cover a longer system stress event?"*.

In Poland's long-term auction held in December 2024, battery energy storage systems (BESS) far outperformed gas plants, due to the uneconomic nature of these projects. A number of major gas plants failed to receive long-term contracts.[1] Poland responded by running another auction in July 2025, with the 'de-rating factors' designed to favour gas.

Seven new gas plants units won 17-year capacity contracts for over 2.7 GW[9] – including projects that had lost out in the auctions two years in a row. No storage projects were able to win. The auction ended in the first round with a record closing price of PLN 534.09/kW/year – over double the closing price for the December 2024 main auction.

The main auction for 2030, held in December 2025, saw a continuation of this theme. A sharp cut in the de-rating factor for BESS to just 13% – down from 60% in 2024 and 95% in 2023 – resulted in a big drop in support for BESS, with just 685MW of auction wins. Gas projects, meanwhile, won around 2,400MW of contracts.[10]

In addition, the decision-making process which concluded the necessity of a supplementary

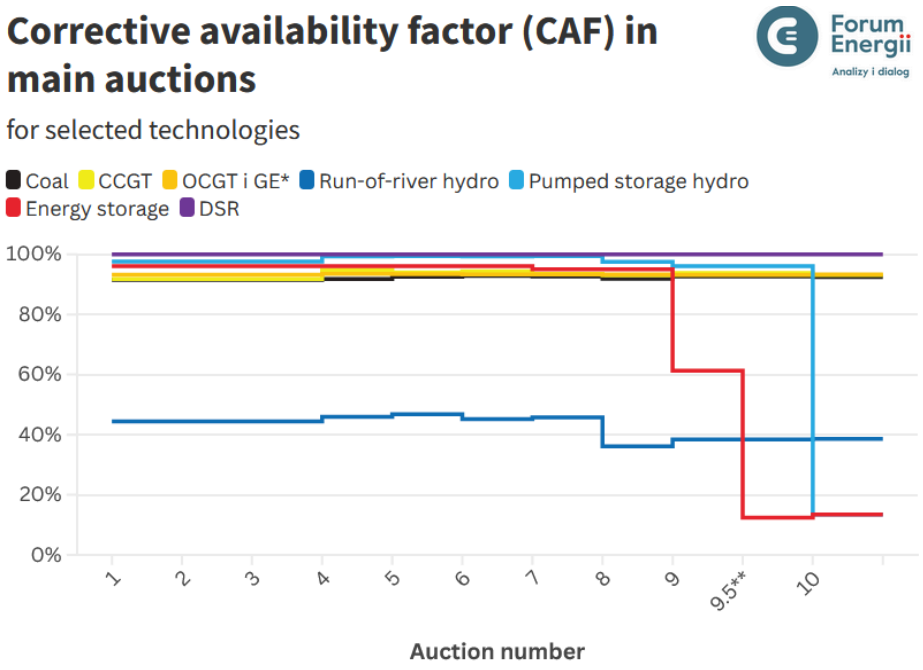
[8] https://data.consilium.europa.eu/doc/document/ST-6803-2025-INIT/en/pdf#:~:text=3.3%20Capacity%20mechanism%20design%20features,requirements%2C%20and%20minimum%20bid%20sizes.&text=electricity%20generation%2C%20lower%20availability%20of%20foreign%20or%20local%20nuclear%20power%20plants.

[9] Beyond Fossil Fuels: European Gas Plant Database, 27 April 2026. Catch-up auction results are reflected in per-unit CRM contract totals but not listed as a separate auction entry.

[10] https://www.energy-storage.news/bess-wins-in-poland-capacity-market-falls-for-the-first-time-de-rating-cut-to-blame

auction was not transparent. The Transmission System Operator (TSO), PSE, did not publish the models and assumptions used to underpin the analysis. The analysis that has been published by PSE – which concluded that 5.2 GW of new gas was needed – was critiqued by both Poland's energy regulator and Office of Competition and Consumer Protection. PSE's capacity analysis has previously been critiqued by ACER.[11]

Supporting expensive gas over cheap BESS will have knock-on impacts on energy bills. According to the Energii Forum, high contract prices and indexation mean that the unit cost of gas capacity will increase from PLN 281.0/kW in 2025, to PLN 778.6/kW in 2045. By comparison, the contracted storage units will cost almost half as much in 2045.



Source: own elaboration by Forum Energii based on capacity market auction results, media announcements, enquiries to companies, and internal assumptions.
*OCGT and gas reciprocating engines
**Auction 9.5 denotes the additional auction for the year 2029.

🇬🇧 Great Britain: The need for a long-term gas exit plan

Country summary

- Key concern: While Great Britain is leading the way with its Clean Power 2030 strategy, there is uncertainty over the future of its aging gas fleet.
- Key recommendations: The government should work with Ofgem and the National Energy System Operator (NESO) to work on a long-term gas phase-out blueprint, setting out options to remove gas plants from the capacity market.

[11] https://www.acer.europa.eu/sites/default/files/documents/en/The_agency/Organisation/Board_of_Appeal/Decisions/A-001-2022%20-%20PSE%20v%20ACER%20-%20Final.pdf

With its ambitious 2030 clean energy plan, Great Britain[12] is well positioned to act as a leader in replacing fossil gas with renewables and clean alternative forms of flexibility. However, uncertainty currently hangs over the future of the country's significant gas fleet.

In 2025, the government proposed changes to Great Britain's capacity market which would have seen the introduction of a higher, separate price principally for new build gas plants.[13] This proposal evoked concerns: that without due guardrails in place, there was a risk it could undermine the market for fossil-free flexibility, while adding billions of pounds to energy bills. It could have also presented a legal risk for the government, should clean energy actors have made appeals over a lack of technology neutrality.

In February 2026, the government published a decision that it would not go ahead with this change, after the department *"carefully considered the [consultation] responses and evidence submitted by stakeholders"*.[14] This suggests a policy intent of focusing on the refurbishment of existing gas generators, rather than building new ones. The decision, while welcome, leaves a question mark over the future of Great Britain's gas fleet.

Clarity is required over whether gas plants will, over time, be removed from the capacity market and placed in an out-of-the-market mechanism. A gas plant exit strategy is needed to set out the short and long-term measures to ensure a smooth transition towards a renewables-based future. This requirement is echoed in the National Energy System Operator's (NESO) assessment of Resource Adequacy in the 2030s, which concluded: *"A longer-term whole energy system strategy is needed to support the future role of unabated gas in meeting consumer demand when needed."*[15]

Great Britain's 2026, long-term (T-4) auction saw gas continuing to form the backbone, but without the provision of long-term 15 year contracts for new-build gas plants through an auction – for the first time since 2016.[16] The clearing price of £27.1/kW was less than half of the previous years'. With the lower target capacity, this will lead to a spending of £1.1bn in the first year of delivery compared to £2.6bn for last year's auction.

Successful new-build capacities were mostly new-build batteries (1.18 GW of contracts in the T4 auction), thanks to the drop in battery capital costs over the past year. Demand side response also performed well – securing 2.6 GW of contracts, a 45% year-on-year increase for the past couple of auctions.

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[12] Note that the government strategy only covers the island of Great Britain, rather than the entire United Kingdom (including Northern Ireland)

[13] https://www.gov.uk/government/consultations/capacity-market-proposed-changes-for-prequalification-2026 The energy department identified a range of potentially eligible technologies for the proposed higher price cap, including biomass, combined cycle gas turbines, combined heat and power plants, energy from waste facilities, hydroelectric power, nuclear generation, open cycle gas turbines, and reciprocating engines.

[14] https://www.gov.uk/government/publications/capacity-market-reform-multiple-price-capacity-market-proposals-update/capacity-market-reform-mpcm-update

[15] https://www.neso.energy/document/364016/download

[16] https://www.argusmedia.com/es/news-and-insights/latest-market-news/1365497-uk-capacity-auction-fails-to-contract-new-gas-plants Additionally, the suspension of the CM in 2018–2019 following an EU court ruling temporarily halted all contract awards.

🇮🇪 **Ireland:** Data centres and fossil gas risk adding billions to energy bills

Country summary

- Key concern: Unless guardrails are put in place, Ireland risks adding more costs to energy bills to cover the additional energy demand required from data centres.
- Key recommendations: Ensure that households are not left paying higher bills due to costs associated with data centre expansion, while setting out a long-term plan to replace gas plants with fossil-free flexibility.

The Irish capacity market, implemented in 2018, is currently operating under State Aid approval until May 2028[17] – and thus approaching its renewal. Without necessary interventions, there is a risk that it could add billions to household energy bills to support data centre electricity consumption; which would run in contradiction to EU State Aid rules.

Ireland's capacity auction prices are by far the most expensive in Europe. This could be exacerbated further due to spiralling energy demand from data centres. Data centres are already using over 20% of Ireland's electricity.[18] This is forecast to grow up to 30% by 2030.[19]

A warning should be heeded from the US: where research found that bill-payers in the region of the country's largest grid operator PJM are paying $9.3 billion more in just one year than they would have without data centers' electricity demand. [20]

As part of the EU regulations setting out the proportionality of the State Aid measures and Article 22 of Electricity Regulation, electricity consumers creating the need for the measure should contribute to its costs.[21] This suggests that it would be unwarranted for households to pick up the tab for the energy capacity 'need' created by data centres. The recent update to the EU state aid framework sets out a model for capacity markets which proposes: *"At least 90% of the capacity mechanism costs must be allocated to consumers based on their consumption during at least 1% and at most 5% of the highest price hours (or market time units) each year (or each delivery window)."*

There is a very strong case to suggest that the energy demand contribution of data centres would fit within this category. They fundamentally contribute to the scale and nature of peak demand. The absence of large hourly fluctuations does not negate the constant baseload of data centre demand – in fact, constantly high baseload leads to excessive demand at times when society also requires energy at peak times.

[17] https://www.semcommittee.com/files/semcommittee/2025-12/SEM-25-070_Consultation_Decarbonisation_of_Existing_CRM_v300_For%20Publication_0.pdf
[18] https://www.friendsoftheearth.ie/assets/files/pdf/foe_data_centre_resource_updated_august_2024.pdf
[19] https://www.iiea.com/blog/data-centres-in-ireland-the-state-of-play
[20] https://ieefa.org/resources/projected-data-center-growth-spurs-pjm-capacity-prices-factor-10
[21] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52016PC0861

Data centres always contribute to the level of peak demand precisely because of their inflexible demand profile, and in the south of Ireland their share of demand at peak times is significantly higher than elsewhere. Data centres make the peak significantly higher than it would otherwise be (with obvious impacts for household bills during those times).

Capacity market costs that result from the energy needs of data centres must not be levied on household and business bills; but rather borne by data centre owners. The Irish energy regulator, CRU, should conduct independent analysis to assess the current and future burden that can be attributed to data centre growth; and ensure this proportion is paid for by data centres. This suggests that it would be unwarranted for households to pick up the tab for the energy capacity "need" created by data centres.

🇮🇹 Italy: Derating factor changes risk cementing the gas-plant bias

Country summary

- Key concern: Changes proposed to the Italian capacity market could unfairly mean that batteries are placed on an unlevel playing field to compete against gas plants.
- Key recommendations: Italy should ensure batteries can compete fairly in the auction, and set out an ambitious fossil-free policy roadmap to scale up alternatives that will help reduce its reliance on expensive gas plants.

Italy's capacity market has to date provided the highest share of capacity market auction contracts to fossil gas plants – 84% of the €18 billion that will be added to energy bills since the initiation of the capacity market in 2018.[22]

Changes proposed by the TSO, Terna, could risk further locking in this dynamic. In spring 2026, Terna ran a consultation on changing the derating factor for BESS. The logic behind the consultation appears to be that Terna is concerned that BESS is outcompeting gas plants in the auctions – and is seeking to influence the outcomes to ensure that expensive gas plants can compete against these more economic clean energy solutions.

Similarly to concerns raised for Poland, changes that ensure that one technology can secure contracts in the auction, would run counter to state aid rules and the promotion of technology-neutral, competitive and transparent processes.

Furthermore, certain assumptions made in the policy proposal regarding future storage penetration risk creating a structural bias in the accreditation of storage resources. This approach would avoid self-fulfilling assumptions that could discourage storage participation in the capacity market. The methodology also makes generalisations which do not reflect rapid technological advancements – for example, assuming a eight hour energy storage for all power installed, without considering new 10 and 12 hour capacities.

[22] https://beyondfossilfuels.org/wp-content/uploads/2025/01/20250123_Aurora_BFF_CRM-Report_final.pdf

These changes are particularly concerning given the urgent imperative for Italy to reduce its dependence on fossil gas in order to reduce energy bills. A focus on expanding batteries would have excellent results for energy security, and helping Italy make the most of its abundant solar capacity.

Ember analysis finds that in 2025, Italy's batteries contributed to meeting demand during peak gas-use hours, a trend that could rapidly accelerate as that pipeline is built.[23] In September 2025, large-scale battery systems discharged an average of 1.1 GW during the early evening hours (7–8 pm). With the delivery of the development pipeline, battery capacity could quickly grow by nearly six times, meet higher shares of demand during peak gas-use hours and reduce the country's high reliance on expensive gas.

Italy's great battery potential was demonstrated in a recent auction. Italy held the first auction under its new long-term capacity mechanism for electrochemical storage systems (MACSE), contracting up to 10 GWh of new storage capacity. The average clearing price was considered very competitive – nearly 65% below the reserve premium of €37,000/MWh-year.[24] Enel Produzione was awarded over half of this total (5.2 GWh).

🇧🇪 **Belgium:** Renewables and clean flexibility needed for energy security

Country summary

- Key concerns: As a country highly exposed to energy price shocks, the continued strong gas leaning of Belgium's capacity market needs to be replaced with more focus on fossil-free flexibility and renewables.
- Key recommendations: Belgium should work to produce an ambitious policy roadmap towards a renewables-based energy system – setting out measures to reduce dependency on fossil gas and instead scale up investments in renewables and clean flexibility.

In October 2025, Belgian transmission system operator Elia published the results of the three CRM auctions. Contracts to gas plants once again dominated the auctions, representing around 83% of the projects selected, in terms of de-rated capacity. However, clean energy experts also welcomed that nearly all new capacity contracted in the 2025 auctions came from large-scale batteries.

Gas-power plants selected by the CRM auction have committed to being carbon neutral by 2050, which is 15 years after the International Energy Agency suggests that Europe needs to decarbonise its power system in order to be compliant with climate goals.[25]

[23] https://ember-energy.org/app/uploads/2026/01/EMBER-Report-European-Electricity-Review-2026.pdf
[24] https://www.terna.it/en/media/press-releases/detail/completed-first-macse-auction
[25] https://iea.blob.core.windows.net/assets/9a1c057a-385a-4659-80c5-3ff40f217370/AchievingNetZeroElectricitySectorsinG7Members.pdf

The capacity market resulted in the construction of two new gas power plants – Luminus in Seraing and Engie's Awirs[26], supported by contracts worth around €450-900M in subsidies per gas power plant over 15 years.[27]

These plants were built because a series of governments in Belgium failed to properly plan for the nuclear phase-out in 2025, by not installing adequate renewable production capacity in time. The plants deepen Belgium's reliance on volatile international gas markets. Every megawatt generated depends entirely on imported fuel, increasing the country's exposure to the volatility of global gas markets. Instead Belgium should focus on increasing investments in renewable energy and clean flexibility solutions to insulate the country from volatile fossil fuels markets and deliver affordable, climate-friendly energy.

The current Belgian Prime Minister, Bart De Wever, has publicly criticized the energy policies of the previous Vivaldi coalition government, specifically condemning their decision to subsidise new gas plants, and pointing to how this has left the country more exposed to gas imports.[28] While he blames the nuclear exit for this position; the real answer for Belgium lies in more renewables.

🇫🇷 **France:** New auctions should be designed to boost demand flexibility

Country summary

- Key concerns: As France makes changes to its capacity market, it will be key for the country to consider how it can effectively integrate demand-side flexibility and storage into the power system.
- Key recommendations: As France moves forward with its electrification plans, it should ensure that clean flexibility is baked in from the start; with an emphasis on supporting demand side flexibility and storage through the capacity market.

Traditionally, the French capacity market has been an outlier in its high support for nuclear contracts – representing 50% of the total value (€10 billion).[29] The capacity market has recently undergone a major transformation, away from a decentralised market with many auctions each year – towards a centralised mechanism where RTE is the sole buyer, organising annual auctions to contract the necessary capacity.

The reform has the dual objectives of supporting new decarbonised capacities, such as demand response and battery storage – as well as thermal power plants. The costs will then be passed on to suppliers via a tax calculated on their customers' consumption during

[26] https://beyondfossilfuels.org/2026/02/23/gas-plant-profile-flemalle-belgium/
[27] https://www.belganewsagency.eu/belgian-nuclear-phase-out-luminus-secures-subsidies-for-new-gas-plant-in-seraing
[28] https://www.belganewsagency.eu/pm-cautious-on-energy-support-amid-middle-east-tensions
[29] https://beyondfossilfuels.org/wp-content/uploads/2025/01/20250123_Aurora_BFF_CRM-Report_final.pdf

periods of tension. The French TSO, RTE recently noted that thermal plants are being used less and less hours; although some new capacity could be needed in the next decade.[30]

The next step will be considering how demand-side flexibility and storage are now integrated into the power system. This works both through the capacity mechanism, which enables more visibility on future revenues over 4-5 years, as well as a new mechanism which specifically incentivizes load shifting (both upwards and downwards).[31]

Capacity markets currently under consideration and development

🇩🇪**Germany**: Action needed to prevent a dangerous, gas-biased precedent

Country summary

- Key concern: Germany is advancing auctions which would unjustifiably support gas plants, when cleaner forms of flexibility could be scaled instead. This is in clear contradiction with EU 'technology neutrality' requirements, and would set a dangerous precedent across Europe.
- Key recommendations: Germany must be obliged to follow EU law and ensure storage and demand flexibility can compete fairly in the auction, and set out an ambitious clean flexibility policy roadmap to reduce its reliance on expensive gas plants.

In Germany, consecutive governments have been working for years to bring forward a gas plant plan to introduce tenders for a new fleet of gas plants. The exact GW volume of these tenders has changed over the years – from 12.5 GW, to 10 GW, to 20 GW, and now to build 12 GW of new dispatchable capacity.[32] The cabinet-approved government proposal for the 'ad hoc' CRM, the draft StromVKG, will contain three tender types. The proposal will now go through parliament, with the government aiming for adoption before the summer break.[33]

- **Ad hoc long-term capacity tenders**: Two rounds of 4.5 GW each on 8 Sep 2026 and 22 Dec 2026; approximately 10 GW nominal; 15-year commitments only; generation facilities only; BESS effectively excluded by the 10-hour criterion and Made in Europe requirements; demand side response (DSR) officially excluded.

[30] https://www.rte-france.com/donnees-publications/etudes-prospectives/bilans-previsonnels#Lesdocuments
[31] https://assets.rte-france.com/prod/public/2025-08/2024-10-21-barometre-flexibilites-consommation_eng-GB.pdf
[32] https://www.bundeswirtschaftsministerium.de/Redaktion/DE/Pressemitteilungen/2026/01/20260115-grundsatzeinigung-mit-europaeischen-kommission-ueber-eckpunkte-der-kraftwerksstrategie.html
[33] https://www.bundeswirtschaftsministerium.de/Redaktion/DE/Pressemitteilungen/2026/05/20260513-meilenstein-fuer-die-versorgungssicherheit-strom-kapazitaetsmarkt-sichert-zukuenftig-die-versorgung-mit-strom-ab.html

- **Ad hoc capacity tender**: One round of 2 GW on 18 May 2027; 15-year commitments only; generation facilities only; both power plants and BESS admissible; no requirements that effectively exclude BESS; DSR officially excluded.
- **General capacity auctions:** Two rounds on 1 Dec 2027 and 1 Oct 2029; open to generation facilities and controllable loads; i.e. power plants, BESS and DSR all admissible.

Despite the insistence that *"the agreement is based on a technology-neutral approach"*, the government has steered it to favour gas. The key factor excluding storage from these auctions is a criterion saying that all long-duration capacity must be able to deliver for 10 hours straight, while 'energy-limited technologies' (effectively BESS/ storage) must also be able to meet this requirement again within one hour.

Demand side response will be explicitly excluded from the only auctions with a pre-determined capacity volume. The legislation (StromVKG) explicitly excludes DSR from the 'long-term' and 'generation' auctions, the only tenders with a guaranteed capacity volume (of 9 GW), and the only auctions guaranteed to take place.[34]

The law does not require any credible pathway towards climate neutrality and does not have a mechanism to incentivise a conversion or to sanction the lack thereof, which exacerbates the risk of fossil gas lock-in.[35] It also completely omits the cost recovery mechanism, which dictates how the policy costs will be recovered from customers.

The legal charity, ClientEarth, points out further issues with the proposal. EU law requires schemes to be grounded in an assessment that shows additional capacities are in fact needed. However, most of the capacities to be tendered are not tied to any assessment at all, and the rest are tied to a German assessment that diverges significantly from the European one on key issues like the potential of batteries and demand side response.[36]

A report from the German Federal Network Agency (BNetzA) was also critiqued for potentially overestimating the amount of gas plant need; while underestimating the potential role of clean flexibility. The German Solar Association, BSW-Solar, criticised the report for inadequately modeling the potential of large-scale battery storage systems, arguing that it failed to reflect actual developments and thus ignored a key aspect of the energy transition.[37]

[34] https://www.bundeswirtschaftsministerium.de/Redaktion/DE/Downloads/Gesetz/2026/20260513-entwurf-eines-gesetzes-zur-sicherung-der-versorgungssicherheit-strom.pdf?__blob=publicationFile&v=6
[35] https://www.clientearth.org/latest/press-office/press-releases/letter-to-commission-german-gas-power-plant-plans-remain-incompatible-with-european-state-aid-laws/
[36] https://www.clientearth.org/latest/press-office/press-releases/letter-to-commission-german-gas-power-plant-plans-remain-incompatible-with-european-state-aid-laws/
[37] https://www.solarwirtschaft.de/2025/09/04/solarwirtschaft-kritisiert-speicher-luecke-im-versorgungssicherheitsbericht/

Indeed, the source of the original 20 GW number appears to be influenced via the fossil lobby.[38] RWE and Uniper – who are among the largest recipients of capacity market payments in Europe [39] – have been actively lobbying for the German government to set up a capacity market. In another sign of the influence of energy companies in policy discussion; the energy minister recently asked the energy company ENBW for arguments to push batteries out of the tenders; and they suggested the 10 hour rule.[40]

The plans will likely face legal action,[41] with a number of clean industry groups already signalling their opposition to the proposed approach. A report recently commissioned by the German Chamber of Industry and Commerce, Federal Association of Energy Consumers, 1Komma5°, Octopus Energy Germany and many others warns of the *"significant economic, regulatory, and environmental risks associated with capacity support mechanisms"*.[42]

With many existing capacity markets coming up for their 10 year renewal with the European Commission – including in Poland, Italy and Ireland – if Germany is allowed to go ahead with its 'ad hoc' capacity market auctions which clearly benefit gas plants; this will set an extremely dangerous precedent across the EU.

Case study: Demand flexibility firm successfully challenges Great Britain capacity market

In November 2018, the General Court of the EU issued a judgment on a case put forward by Tempus Energy Ltd, a DSR operator; annulling the Commission's state aid decision to approve a capacity mechanism for Great Britain. This case demonstrates the legal risk associated with pursuing a capacity market design which deliberately favours gas plants over clean sources.

Tempus contended that the capacity market privileged fossil fuel operators over DSR in a disproportionate manner. They argued that the scheme unfairly discriminates in the length of contracts awarded; with DSR limited to one-year contracts as opposed to the 15-year contracts available to fossil generators. Despite DSR offering an equivalent solution, it was not offered the same opportunities. Following the ruling, the Commission conducted a formal

[38] https://www.lobbyregister.bundestag.de/suche/R001655 ; https://www.lobbyregister.bundestag.de/suche/R001306
[39] https://beyondfossilfuels.org/2025/06/26/fossil-gas-freeloaders-capacity-market-subsidies/
[40] https://www.spiegel.de/wirtschaft/katherina-reiches-ministerium-bat-enbw-um-argumente-fuer-gaskraftwerke-a-1ce69ada-8eff-444b-a7f9-4eaf4d6e5447
[41] https://www.handelsblatt.com/unternehmen/energie/energie-speicherbetreiber-pruefen-klagen-gegen-kraftwerksausschreibungen/100220289.html
[42] https://www.connect-ee.com/wp-content/uploads/2026/04/Connect_Erforderlichkeit_von_Kapazitaetsmechanismen_2026.pdf

investigation and subsequently approved a revised UK Capacity Market scheme in 2019 that addressed the discrimination.

While the policy changes were adopted as 'voluntary commitments' by the UK government, the case underscores the investment uncertainty and risk associated with adopting CRMs without a robust State Aid compatibility assessment.

🇪🇸Spain: Decarbonisation measures must be baked into new capacity market

Country summary

- Key concerns: As a leader on renewables, Spain's newly approved capacity market should not be designed in a way which supports gas plants, but rather accelerates the roll-out of clean flexibility solutions.
- Key recommendations: Spain should seek to cement its clean energy leadership, setting out a policy roadmap to address market barriers faced by fossil-free flexibility – focusing on mechanisms to support batteries, long-duration energy storage, demand side flexibility and interconnectors.

Spain is a leader in renewables – and has incredible potential to continue building out solar and wind capacity. As seen with the recent spike in energy prices, this has helped ensure energy security, and more stable energy bills.[43]

At the beginning of June 2026, the European Commission approved Spain's €9bn capacity mechanism.[44] The devil will be in the detail of the final scheme and auction design. The discussion on energy security in Spain has intensified over the last year, following the black out and now with the energy crisis.

Spain consulted on a proposed capacity market in 2025.[45] The proposal contained some welcome positions – such as that new investments could only be renewables or storage – but also would allow existing gas plants to access contracts.

However, as energy experts have noted, it is not clear that there is a strong need for Spain to introduce a capacity mechanism, and in doing so, the country could risk keeping unnecessary fossil fuel plants in the system for longer, thus harming the efficiency of the wholesale energy market and burdening consumers with higher electricity bills.[46]

[43] https://ember-energy.org/latest-insights/decoupled-how-spain-cut-the-link-between-gas-and-power-prices-using-renewables/
[44] https://ec.europa.eu/commission/presscorner/detail/en/ip_26_1163
[45] https://www.miteco.gob.es/es/energia/participacion/2023-y-anteriores/detalle-participacion-publica-k-409.html
[46] https://fundacionrenovables.org/wp-content/uploads/2025/01/Alegaciones-mercado-de-capacidad_DEF.pdf

The current proposal limits emissions from eligible technologies to 550 gCO2/kWh. To ensure the capacity market is aligned with Spain's climate strategy, Greenpeace España has set out policy conditions that must be put in place.[47] These include a binding commitment to gradually reduce the annual CO_2 of the mechanism, reaching zero by 2030 at the latest – backed with a legal obligation to cease providing contracts for fossil fuel assets from that point onward. This will help prevent the mechanism from becoming manipulated to support gas plants, as has been done in other countries.

Two different approaches: Spain follows the rules, while Germany twists them

While the Commission announcement sets out how the Spanish approach is compliant with EU laws, analysis from ClientEarth shows the many ways in which the German 'ad hoc' capacity market breaks them.

For instance, the Spanish announcement says: *"The capacity mechanism will support the development of flexibility services (storage and demand-response operators) to reach the Spanish national flexibility target."* Meanwhile, clean flexibility is deliberately excluded from the German auctions.

Similarly, in the Spanish announcement there is a focus on technology neutrality: *"The capacity mechanism will be open to all projects, existing or new, that offer to be available during periods of scarcity"* -- something missing from the Germany approach.

🇬🇷**Greece**: An opaque approach lacking an evidence-based justification

Country summary

- Key concerns: The process around the adoption of a capacity mechanism in Greece has been completely intransparent, lacking an objective analysis based on the country's energy needs. The findings of ENTSO-E's European Resource Adequacy Assessment and Economic Valuation Analysis show minimal adequacy gaps for Greece.
- Key recommendations: Greece must publish all documents related to the introduction of a capacity market; alongside a transparent process to bolster fossil-free flexibility via analysis of the market barriers, and a policy roadmap set out to address these.

[47] https://es.greenpeace.org/es/sala-de-prensa/comunicados/bruselas-da-luz-verde-al-mercado-de-capacidad-electrico-espanol-sin-frenar-los-subsidios-al-gas-fosil/

Greece is currently setting up a capacity market. From the start, the process has been intransparent, and does not appear to have followed the Commission's requirements. There has not been an adequacy assessment published to demonstrate the need for a capacity market. Nor has modelling been published, nor a public consultation. This means there is a risk of excessive financial support for unnecessary gas units.

Indeed, it is not clear that Greece has a capacity gap at all. The Green Tank's analysis,[48] based on ENTSO-E data, indicated that the maximum thermal capacity needed for domestic needs by Greece at any given time is currently well below the total installed gas capacity (6 GW) – thus challenging that the additional 5.5 GW of gas plants currently planned or under development is needed to meet a domestic shortfall.

Thus, it appears that a number of requirements set by the European Commission regarding the development of capacity mechanisms are being disregarded. The option of a strategic reserve should be considered as a first option, if adequacy issues are identified in the National Resource Adequacy Assessment. It is worth noting that ENTSOe's EU Resource Adequacy Assessment identified minimal adequacy gaps for Greece, which could may be fully covered through a Strategic Reserve mechanism

It is not clear that the government is looking to establish a capacity market to support energy security, especially considering the scheduled installation of a significant capacity of batteries. It seems that the government is looking to support the investment decisions of gas producers to construct new gas plants at a time when domestic demand for gas-fired electricity generation is rapidly diminishing due to the increasing output of renewables.

When designing a capacity mechanism, priority should be given to ensuring the country's energy security while minimising costs for consumers. If the government is seeking to set up a mechanism to support its ambition to be an energy exporter, it appears that an apparent wealth transfer is set to take place between consumers (households and industries) – who will pay for the capacity mechanism through levies on their bills – and the energy companies who are benefiting from energy exports, and government who benefits from tax revenues.

🇨🇿 **Czechia:** An intransparent approach with a high risk of gas lock-in

Country summary

- Key concerns: Not much is publicly known about the mechanism. While it may allow for a phaseout of coal in Czechia, there are risks of a significant gas lock-in. Due to very low renewables buildout in Czechia, the structure of missing capacity in the winter months would likely lead to favouring gas plants.
- Key recommendations: The mechanism should be anchored in an updated national energy strategy, with clear and measurable objectives to assess performance. Czechia should commit to transparent modelling assumptions, with public scrutiny

[48] https://thegreentank.gr/en/2024/09/10/thermal-capacity-report/

around capacity needs and derating factors. It must also prepare and execute a solid plan to support clean flexibility and minimise gas lock in.

Not much is publicly known about the Czech government's plans to introduce a capacity market, aside from the Czech market reform plan,[49] and the response of the European Commission.[50] The mechanism is being prepared according to the Clean Industrial Deal State Aid Framework (CISAF), providing a robust basis.

However, CISAF cannot address structural issues in the Czech power system: inadequate build out of renewables, especially wind power. This leads to a systemic lack of clean energy during the winter period that current technologies of clean flexibility cannot bridge. Thus, most importantly, Czechia should start with a significant buildout of wind power in line with its National Energy and Climate Plan. In the meantime, Czechia should do its best to support clean flexibility and make use of interconnection in order to minimise the risk of gas lock-in.

[49] https://energy.ec.europa.eu/resources/consultations/consultation-czech-market-reform-plan_en
[50] https://webgate.ec.europa.eu/circabc-ewpp/d/d/workspace/SpacesStore/12a39a1e-e459-4e0c-89ef-cc6796e11158/download