EURATEX

POSITION PAPER

Energy Prices as a basis of Industrial Competitiveness

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Introduction

EURATEX, as the voice of the European textile and apparel industry, represents a sector of over 200,000 companies and 1.2 million workers, with annual exports exceeding €60 billion euros. The textile sector's energy-intensive operations make it particularly exposed to developments in energy markets, meaning that shifts in prices and supply conditions have immediate and significant impacts on its competitiveness.

Since 2020, high and volatile energy prices have significantly increased production costs for the European textile industry, without corresponding productivity gains. Although prices have partially stabilized compared to peak crisis levels, they remain structurally higher than in competing regions outside Europe. For industrial users, the competitiveness challenge is no longer driven solely by wholesale energy prices but by the following four main components in the final bill:

- Energy commodity costs;
- Grid and transport charges;
- Taxes and levies;
- Indirect ETS costs;

In several Member States, more than 50% of the final electricity price paid by industrial users is unrelated to energy generation itself. As industrial users pay electricity costs on a per-unit consumption basis, these additional charges translate into significant cost burdens at scale. At the same time, persistent disparities in taxes, levies, transport costs, and grids charge across Member States create distortions within the Single Market.

Those challenges are further exacerbated by indirect ETS costs, which represent a significant share of manufacturers' electricity bills as carbon costs are systematically passed through by electricity suppliers. Despite this exposure, the textile industry remains insufficiently recognised under current compensation mechanisms, even though many textile production processes are energy intensive. This is because **existing eligibility criteria rely primarily on narrow electricity-intensity indicators and consumption profiles of very large industrial users**, failing to reflect the textile sector's hybrid energy profile and overall exposure, which combines electricity-intensive operations, such as spinning, weaving and knitting, with heat-intensive processes, including dyeing, drying and finishing. Therefore, EU policy should better recognise the hybrid energy profile of textile manufacturing to ensure that energy-intensive textile operations exposed to indirect carbon costs are adequately eligible for support.

Given the sector's employment intensity across regions and Member States, the current situation is not only a competition issue but also a matter of social and regional stability. As a result, energy bills are no longer merely a cost factor but a key determinant of industrial viability, which directly affects margins and investment decisions while increasing the risk of production relocating outside the European Union.

In this context, EU-wide mechanisms to mitigate excessive electricity price volatility for industrial users should be further explored, including approaches inspired by temporary market intervention measures implemented during the energy crisis.

1. Structural Challenges in the European Energy System

The structural gap between European and global energy costs is not a temporary market phenomenon; it is the result of accumulated policy choices. These choices, especially in the field of climate protection, have been significantly different from choices made in the rest of the world. In short, non-EU countries prioritise climate protection while also protecting their industries from excessive burdens, while European companies are expected to shoulder the transition with comparatively limited support.

This imbalance becomes particularly evident in current EU initiatives strongly promoting the electrification and decarbonisation of industrial processes, whose successful deployment depends on economic and technical conditions that are not yet fully in place.

Electricity prices in Europe are typically three to five times higher than gas prices and remain highly volatile [1]. For textile manufacturers, which rely on continuous and stable energy inputs, this makes large-scale electrification economically challenging. At the same time, high upfront investment costs, technological limitations and insufficient grid capacity further constrain the ability of companies, particularly SMEs, to invest in electrification technologies. This situation is further aggravated by the current electricity market design, where gas-fired generation continues to set electricity prices even when a growing share of electricity comes from lower-cost renewable sources. As a result, high industrial electricity prices are increasingly undermining the competitiveness of the European textile industry by:

- Increasing production costs and reducing price competitiveness on global markets;
- Discouraging investment in electrification and industrial decarbonisation;
- Limiting access to grid connections necessary for industrial transformation;
- Creating incentives to relocate production to regions with lower energy and regulatory costs; and
- Distorting the single market through significant differences in energy prices across Member States.

EURATEX calls for the effective implementation of a truly integrated and harmonised European energy market that reduces structural price disparities, restores industrial competitiveness, and ensures the economic viability of decarbonisation pathways.

[1] Direct electrification of industrial process heat An assessment of technologies, potentials and future prospects for the EU. (n.d.). Available at: https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf

2. The Specific Energy Profile of the Textile Sector

The textile industry has a hybrid energy profile that distinguishes it from other energy-intensive sectors and is not adequately reflected in current EU policy frameworks. Textile manufacturing combines electricity-intensive mechanical operations with heat-intensive thermal processes, both of which are essential to production.

- **Electricity-intensive processes**: Electricity is the dominant energy vector in several textile production processes, including spinning, where twisting and winding are among the most electricity-intensive activities, as well as weaving and knitting using air-jet and water-jet looms. In addition, electricity demand is significant in man-made fibre production and nonwoven processes and is increasing with the growing automation of preparation and finishing lines.

- **Heat-intensive processes**: Thermal energy, by contrast, is supplied almost entirely through steam, produced in industrial boilers. It is the boiler, not any individual downstream operation, that defines the sector's thermal energy dependency. Industrial steam feeds the core processes of dyeing, drying, heat-setting, and stentering. Without affordable gas to run boilers, these processes cannot function competitively.

This dual dependency means that policies focused exclusively on electrification are structurally insufficient. Thermal energy is not a marginal component; **it represents the majority of energy consumption in several key textile sub-sectors**, and the boiler system is the single largest point of gas consumption in most textile plants.

EURATEX calls for decarbonisation policies that fully reflect the textile sector’s dual energy dependency and operational realities, ensuring that both electricity and thermal energy needs are adequately addressed in EU policy frameworks.

3. The Missing Dimension: Industrial Heat

Currently there is no European framework equivalent to those available for electro-intensive industries that specifically address the needs of heat-intensive sectors, like textiles. Industrial heat remains insufficiently addressed in EU policy frameworks, particularly from the perspective of economic viability and SME applicability. The Energy Efficiency Directive (EED) and the Renewable Energy Directive (RED III) provide a framework for improving efficiency and increasing the share of renewable energy. However, these instruments do not constitute a coherent and economically viable framework for industrial heat decarbonisation at scale.

The main issues faced by the textile sector are:

- **Electrification of heat processes** is currently not economically viable at scale, as electricity prices in Europe are typically three to five times higher than gas prices for industrial users [2]. Therefore, switching to electricity under current price conditions increases operating costs substantially, which, alongside limited access to grid connections needed for industrial transformation, is undermining rather than supporting competitiveness.

- **Alternative low-carbon technologies** for industrial heat, such as hydrogen and large-scale heat pumps, remain technically immature, economically unviable, or insufficiently supported at the scale relevant to textile SMEs as well as for large-scale enterprises. Adopting certain technologies requires, in some cases, dismantling and rebuilding entire parts of the plant, incurring huge implementation costs.

In this context, highly efficient combined heat and power (CHP) systems continue to play an important transitional role for industrial heat-intensive sectors. Ensuring access to competitively priced gas for efficient CHP installations remains essential to maintaining industrial competitiveness while supporting gradual decarbonisation.

In addition, simply replacing fossil-based boilers with electric alternatives remains ineffective if the broader thermal system is not economically and technically optimised. The decarbonisation of industrial heat requires broader system integration, including heat recovery, storage, process integration, grid connection, and load management. Without such integration, the economic viability and efficiency gains of electrified heating solutions may remain limited, weakening return on investment [3]. Current EU and national funding frameworks remain overly complex and often support isolated technologies.

EURATEX calls for the development of a viable, scalable, and affordable framework for industrial heat decarbonisation, ensuring that solutions are technologically mature, economically feasible, and accessible to SMEs before imposing transition requirements.

4. Industrial Self-Generation and Storage as a Strategic Lever

On-site renewable energy generation, particularly via photovoltaic systems, is not a marginal addition to industrial energy strategies; it is a structural lever for restoring competitiveness.

[2] Direct electrification of industrial process heat An assessment of technologies, potentials and future prospects for the EU. (n.d.). Available at: https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf.
[3] VDMA Power Systems, Breakthrough for Large-Scale Heat Pumps – An 11-Point Plan, position paper, available at: https://www.vdma.eu/documents/d/group-34568/11-punkteplan_gwp_final_vdma

Under appropriate conditions, self-generation can supply a meaningful share of a company's electricity demand at a substantially lower cost than grid electricity. However, its full potential is currently constrained by:

- Regulatory and administrative barriers to on-site generation and grid connection.
- Restrictions on energy communities and collective self-consumption arrangements.
- Network charges and policy levies that reduce the economic return on self-generated energy partially or fully neutralise its advantage.
- High upfront capital requirements, particularly prohibitive for SMEs.

At the same time, large-scale storage solutions are needed to maintain on-site generation. Energy storage solutions, including industrial batteries, are not yet cost-effective for full industrial load shifting. However, they are essential to maximising the value of self-generation by:

- Increasing self-consumption rates and reducing waste generated energy.
- Reduced grid costs for PPAs' energy transmission would incentivise adoption.
- Reducing peak demand and associated network charges.
- Improving operational flexibility and supply resilience.

In several regions, industrial investments in self-generation are delayed or blocked by insufficient grid connection capacity and long lead times for network reinforcement. Regulatory and financial barriers to both self-generation and storage must be removed as a priority. Self-generated energy must not be burdened with charges or levies that place it on the same economic disadvantage as grid electricity. The cheapest energy available to European industry is the energy it produces itself. Self-generation must be treated as a strategic industrial priority.

EURATEX calls for the removal of regulatory, administrative, and financial barriers to industrial self-generation and storage, ensuring that self-produced energy retains its full economic advantage and is recognised as a strategic pillar of industrial competitiveness.

5. Power Purchase Agreements: Closing the SME Gap

Long-term Power Purchase Agreements (PPAs) are a key instrument for price stability and predictability. However, the current PPA market has a critical structural limitation: **minimum contract volumes and financial requirements effectively exclude the vast majority of textile SMEs**, which represent 99% of the textile sector. Calling generically for facilitated access to PPAs is insufficient.

Specific mechanisms are required:

- Collective or aggregated PPA frameworks allowing groups of SMEs to contract jointly, reaching minimum volume thresholds.
- Sectoral or cluster-based PPA structures facilitated by industry associations or public entities.
- Standardised PPA contract templates to reduce transaction costs for smaller industrial users.
- Public risk-sharing instruments, guarantees and first-loss facilities to enable SME participation in long-term energy contracts.

Without these mechanisms, PPAs will only be accessible to large industrial users, leaving the majority of SMEs to bear the full burden of energy price volatility.

EURATEX calls for the development of dedicated legal and financial frameworks enabling SME access to PPAs, including aggregation mechanisms, standardised contracts, and public risk-sharing instruments to ensure broad participation in long-term energy markets.

6. Global Competitiveness and the Risk of Deindustrialisation

European textile manufacturers face global competitors benefiting from substantially lower energy costs, lighter regulatory burdens, weaker standards, and more flexible industrial policy frameworks. Additionally, they are asked to compete globally while carrying energy costs that their international competitors do not face. If unaddressed, this will accelerate:

- Relocation of production capacity to lower-cost regions.
- Reduction of investment in European manufacturing assets.
- Loss of jobs, income, and social stability.
- Loss of supplier base diversity and supply chain resilience.
- Increased import dependence with associated strategic and environmental risks.

Without corrective action, current energy conditions risk accelerating deindustrialisation in Europe, reducing industrial resilience and environmental leverage. Production relocation does not reduce global emissions; it shifts them to regions with higher carbon intensity. A Europe that loses its manufacturing base does not achieve its climate objectives; it exports its emissions while losing its industrial capacity and the jobs that depend on it.

EURATEX calls for the integration of industrial competitiveness as a core pillar of EU energy and climate policy, safeguarding Europe's manufacturing base. Europe must not let its industrial base be priced out of the energy transition. A competitive, resilient and decarbonised textile sector requires fair energy prices, a level playing field and policy choices that keep manufacturing in Europe.

EURATEX
THE TEXTILES AND APPAREL CONFEDERATION

As the voice of the European textile and clothing industry, EURATEX works to achieve a favourable environment within the European Union for the design, development, manufacture and marketing of textile and clothing products.
Working together with EU institutions and other European and international stakeholders, EURATEX focuses on clear priorities: an ambitious industrial policy, sustainable supply chains, innovation and skills development, free and fair trade.

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