European Energy Trading:
Addressing REMIT Compliance Challenges

As the European energy market becomes increasingly complex, driven by the rise in cross-border trading, technology advances – including a rise in algorithmic trading and automated trading – together with the rise in renewables energy, and geopolitical uncertainty, the task of complying with the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) has become more challenging than ever.

Designed to prevent market manipulation and insider trading, REMIT has become a cornerstone of the European Union's efforts to ensure fair and transparent energy markets. Since its introduction, REMIT has aimed to foster trust in energy markets by prohibiting abusive practices and ensuring that all market participants operate on a level playing field. The regulation requires companies to disclose inside information, report market transactions, and maintain robust compliance programs.

Challenges of REMIT Compliance

While both REMIT (for energy markets) and MiFID II/MAR (for financial markets) aim to prevent market abuse, energy markets have unique risks tied to physical supply disruptions, volatility in renewable energy production, and market manipulation through cross-border arbitrage, which differ from the financial instruments traded under MiFID II

Since REMIT regulation was introduced in 2011, fines for breaches have totalled EUR250m.[1] However, after the European Union Agency for the Co-operation of Energy Regulators (ACER) and national regulatory authorities (NRAs) ramped up their scrutiny of energy trading activities in 2024, there have been a record number of REMIT breaches, with 19 enforcement cases against energy companies and total fines of €123m during that year. This figure represents 49% of all fines levied since REMIT's inception.

The rise in fines can be attributed to an increase in sophistication of regulatory oversight including use of trade surveillance technologies to improve detection rates. It is also evident that regulatory fines are getting larger as regulators make penalties severe enough to serve as a meaningful deterrent to future poor conduct. In January 2025, Danske Commodities was fined €8m and Equinor fined €4m for REMIT breaches by the French Regulator (CRE) under REMIT Article 5 for actual or attempted market manipulation.

These fines underscore the significant challenges companies face in adhering to the stringent regulatory conditions set out REMIT – and the need to have robust processes and IT systems in place to ensure compliance.

1. Refer to www.acer.europa.eu for the full list of enforcement decisions

Key Surveillance Challenges for Energy Trading Companies

Trade and communications surveillance plays a crucial role in ensuring REMIT compliance by systematically monitoring trading activities and internal communications. Advanced surveillance technologies can identify suspicious trading patterns, such as layering and spoofing, which manipulate market prices by placing orders that are never intended to be executed. These tools also help identify potential insider trading involving non-public information, like power plant outages or regulatory changes.

The increasing sophistication of trade surveillance solutions is also making it easier for regulators and firm's compliance departments to spot outdated practices such as false reporting, manipulation through cross-border arbitrage, and exploiting non-public information about weather forecasts or supply-side disruptions.

Nonetheless, significant existing and new challenges persist, including:

- **Data.** A primary challenge is the sheer volume and complexity of data that must be reported under REMIT. With millions of transactions occurring daily across European energy markets, ensuring accurate and timely reporting is a daunting task. Many companies are struggling to integrate disparate data sources and implement the advanced analytics needed to detect potential market abuses.

  The complexity of data integration under REMIT stems from the need to pull together disparate data sources across various platforms and systems, including transaction data, market prices, weather forecasts, and internal communications. Challenges include ensuring timely reporting and maintaining the accuracy of counterparty information, price data, and forecast data.

  Companies must also overcome siloed data systems to ensure that all relevant information is captured and analyzed to detect potential market abuses like spoofing, layering, and insider trading. As market complexity increases and trading volumes rise, the need for more advanced analytics and automated reporting systems becomes crucial to meet REMIT's stringent requirements and ensure market transparency.

- **Definition of 'inside information'.** As the energy transition accelerates, new types of data, such as forecasts for renewable energy generation or grid congestion, are becoming increasingly relevant. Determining what constitutes inside information and ensuring its timely disclosure requires a deep understanding of both regulatory requirements and market dynamics.

- **New trading technologies.** The rise of algorithmic trading and artificial intelligence in energy markets has introduced new risks. While these technologies can enhance efficiency, they also pose challenges in terms of transparency and accountability. Regulators are increasingly focused on ensuring that algorithms do not facilitate market manipulation, adding another layer of complexity to compliance efforts.

Looking Ahead

As the European energy market continues to evolve, REMIT compliance remains a critical priority for trading companies, particularly in light of growing challenges such as the complexity of data integration and the potential for algorithmic trading abuses like spoofing and layering. These risks demand a proactive approach, where companies must not only adhere to compliance requirements but also continuously monitor and adjust their practices.

At Capco, we can support companies in developing solutions that ensure compliance, enhance transparency, and mitigate the risk of costly penalties – and ensure they retain their position in an increasingly competitive and complex energy market. Specifically, we can help by conducting comprehensive risk assessments to identify key areas of vulnerability, including data integration gaps, review of trade surveillance system alert indicators and calibration.

In addition, we offer a REMIT Compliance HealthCheck, a tailored review that evaluates a company's current compliance framework, identifies weaknesses, and provides actionable recommendations to ensure adherence to REMIT regulations. If you're interested in discussing REMIT compliance further, please reach out to us.

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About Capco

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