



OPINION

European Economic and Social Committee

Security of supply and affordable energy prices

Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions:

Security of supply and affordable energy prices: Options for immediate measures and preparing for next winter
[COM(2022) 138 final]

TEN/780

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1. **Conclusions and recommendations**

- 1.1 The Communication at hand must be seen in the overall context of REPower EU, the main objective of which is to break away from Russian fossil fuels. The situation is serious and calls for an unprecedented response and the maximum level of solidarity and trust among EU Member States. Europe needs an efficient plan which would foresee different energy shortage scenarios, and outline how these situations should be tackled with joint action of the EU Member States and how energy infrastructure would be most efficiently used and further developed. The EESC encourages joint actions by Member States to respond to the need for proper infrastructure and its efficient use.
- 1.2 Less dependence on Russian gas means more autonomy and requires increased use of resources available in the EU, inter alia a quick rollout of renewables. The EU should thus make maximum use of the available resources and existing capacity of its own to face the shortage in energy supply. However, local sources will not be sufficient or readily available, and the EU therefore has to set up new partnerships with reliable countries. In this regard, the EESC emphasises that when setting up energy partnerships with non-EU countries, the impact of dependence on countries that do not share EU values or could be branded as unfriendly regimes must be carefully borne in mind.
- 1.3 The root cause of the current high electricity prices is gas, which is pushing up electricity prices. The only ideal solution to this problem would be to increase the production and use of non-fossil electricity to the extent that meets the electricity demand.
- 1.4 While the Communication focuses on short-term measures to ensure the security of supply and affordable prices, they need to be considered in the framework of longer-term objectives. The EESC finds it vital to constantly and consistently adhere to all the basic objectives of a sustainable energy system: security of supply, reasonable costs and prices, and environmental sustainability.
- 1.5 Direct support is no doubt the most realistic option as an emergency measure. Using increased VAT and energy tax revenues can help Member States finance such measures. Any support measures aimed at mitigating the crisis should be temporary and well-targeted at those suffering most, be they citizens, SMEs or energy-intensive industries. The Communication, however, falls short by saying that a substantial effort in reducing gas consumption must also come from consumers. Compensation that does not lead to a decrease in gas consumption is thus not a sustainable option.
- 1.6 The situation should only require targeted temporary measures in Member States with the least distorting effects on the EU market, or measures at EU level that will not endanger decarbonisation efforts or energy supply. All in all, market interventions carry the risk of working against longer-term objectives by causing investment uncertainties and discouraging decarbonisation in the energy industry. The EESC agrees with the ACER conclusions that the electricity market has proved its good functioning in terms of avoiding electricity curtailment or even blackouts in certain areas.

2. **General comments**

- 2.1 After the Kremlin's decision to cut off some European countries from gas supplies, European leaders understood the seriousness of the situation, which calls for an unprecedented response and maximum level of solidarity and trust among EU Member States. Europe needs an efficient plan which would foresee different energy shortage scenarios, and outline how these situations should be tackled with joint action of the EU Member States and how energy infrastructure would be most efficiently used.
- 2.2 The Communication at hand must be seen in the overall context of REPower EU, the main objective of which is to break away from Russian fossil fuels. In this respect, the EESC refers to its previous opinions¹ covering views and messages on both short-term and longer-term measures to respond to the challenges of this problem.
- 2.3 While the Communication focuses on short-term measures to ensure security of supply and affordable prices, they need to be considered in the framework of longer-term objectives. The EESC finds it vital to constantly and consistently adhere to all the basic objectives of a sustainable energy system: security of supply, reasonable costs and prices, and environmental sustainability. It needs to be recognised that many measures, especially major investments, take a longer time to realise in practice, and compromise short-term measures may be needed to get through the emergency situation.
- 2.4 Without a comprehensive approach, there is a great risk of addressing acute symptoms with measures that are either inefficient or at its worse, work against the basic objectives. Ensuring equal access to energy at affordable prices and the security of energy supply at reasonable costs, while at the same time striving for climate-neutrality, must be an absolute priority for the European Union.

3. **Specific comments – security of gas supply at reasonable cost**

- 3.1 The Communication proposes collective European actions to address the issue of gas supply. The measures include EU partnerships with third countries and facilitation of collective purchases, as well as a common gas storage policy.
- 3.2 Less dependence on Russian gas means more autonomy and requires increased use of resources available in the EU, including a rollout of renewables. The EU should thus make maximum use of the available resources and existing capacity of its own to face the shortage in energy supply.
- 3.3 However, it is obvious that local sources will not be sufficient or readily available, and the EU therefore has to set up new partnerships with third countries. In this regard, the EESC emphasises that when setting up energy partnerships with non-EU countries, the impact of dependence on countries that do not share EU values or could be branded as unfriendly regimes must be carefully borne in mind.

¹ TEN/778 and TEN/779

- 3.4 Correspondingly, EU should thoroughly analyse the pros and cons of the import of hydrogen from third countries and also look for appropriate solutions that can be found inside the European Union.
- 3.5 LNG terminals, gas storage facilities, and pipelines for diversified supplies play a central role in the security of gas supply. In order to use the resources available in the EU in a sustainable way, Europe will have to deploy huge investments in infrastructure and R&D&I. The EESC encourages joint actions by Member States to respond to the need for proper infrastructure and its efficient use. The EESC draws attention to ongoing projects such as the joint leasing of an LNG terminal ship by Finland and Estonia.
- 3.6 The EESC strongly supports the new rules on gas storage which were swiftly agreed by the European co-legislators. Well-filled gas storage facilities will help to ensure a safe winter (2022/2023), protecting against price shocks, shielding Europeans from energy poverty, and securing the competitiveness of European businesses.
- 3.7 In line with its opinion on EU gas storage policy², the EESC perceives cooperation with third countries as a complimentary measure to investments in new infrastructure, which will increase Europe's energy security. The EESC urges the Council and the Parliament to consider using gas storage facilities in reliable neighbouring countries, including in Ukraine, which will contribute to providing security of supply.

4. **Specific comments – addressing high electricity prices**

- 4.1 The spike in energy prices in the aftermath of the pandemic and further exacerbated by Russia's invasion of Ukraine affects a broad range of consumers and contributes to the increase in energy poverty across Europe. Those who were already facing energy poverty are seeing their situations worsen, and consumers who in the past did not face issues in paying their energy bills are at risk of falling into poverty.
- 4.2 The Commission has already published several initiatives to address high energy prices and their impacts, including the toolbox for action and support³ and the options presented in the REPowerEU Communication for supporting vulnerable citizens and most affected enterprises, such as energy-intensive industries to relieve production costs and enhance decarbonisation efforts. The EESC welcomes and finds it crucial that also SMEs are covered by the support measures.
- 4.3 The EESC welcomes the analysis of the benefits and drawbacks of different options to address high electricity prices and their impacts on citizens and business, put forward by the Communication at hand. The options cover two kinds of measures: financial support to mitigate the impacts of high prices, and market intervention measures that aim to affect the prices themselves.

² TEN/779

³ COM(2021) 660 final

- 4.4 Direct support is no doubt the most realistic option as an emergency measure. Using increased VAT and energy tax revenues can help Member States finance such measures. Any support measures aimed at mitigating the crisis should be temporary and well-targeted at those suffering most, be they citizens, SMEs or energy-intensive industries. The Communication, however, falls short by saying that a substantial effort in reducing gas consumption must also come from consumers. Compensation that does not lead to a decrease in gas consumption is thus not a sustainable option.
- 4.5 As the Communication rightly says, there is no ideal solution. Any intervention on the energy market will have a negative consequence. In many cases, these can be market distortions, fiscal costs, supply disruption, negative impact on investments or on consumer behaviour. In a nutshell, it can affect decarbonisation efforts or compromise security of supply.
- 4.6 The picture outlined by the Commission therefore attests to the complexity where Europe is facing a triple challenge – security of energy, affordable prices and the fight with climate change. This once again highlights the need for a comprehensive approach to any policies and measures, to ensure their consistency with and contribution to the objective of the overall sustainability of the energy system.
- 4.7 As presented by the document, there is no one size fits-all solution, which leaves the space for Member States to find the most suitable solution for their country. However, in the case of the EU energy market, any intervention anywhere could have a consequence on the rest of the market. Therefore, the situation should only require targeted temporary measures in Member States with the least distorting effects on the EU market, or measures at EU level that will not endanger decarbonisation efforts or energy supply.
- 4.8 In line with the recent ACER report⁴, the EESC agrees with the conclusion that the electricity market proved its good functioning in terms of avoiding electricity curtailment or even blackouts in certain areas. The ACER's assessment is that the current market design is worth keeping. In addition, some longer-term improvements are likely to prove key in order for the framework to deliver on the EU's ambitious decarbonisation trajectory over the next 10-15 years, and to do so at lower cost whilst ensuring security of supply. The EESC highlights that any changes in the market design must be based on careful analysis of their economic, social and environmental consequences.
- 4.9 The EESC agrees with the Commission that the root cause of the current high electricity prices is gas, which is also pushing up electricity prices through marginal pricing. The ideal solution to this problem would be to increase the production and use of non-fossil electricity to the extent that meets the electricity demand.
- 4.10 The EESC considers price caps or other interventions in the wholesale energy markets problematic, as they would distort the necessary price signals and entail the complexity related to determining the "right" level of prices. Fiscal measures such as "windfall taxes" do not decrease prices but are rather seen as a source of revenue. All in all, market interventions carry

⁴ ACER's final assessment of the EU wholesale electricity market design.

the risk of working against longer-term objectives by causing investment uncertainties and discouraging decarbonisation in the energy industry.

Brussels, 13 July 2022

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The president of the European Economic and Social Committee
