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Update on the EU climate and energy policies

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What is happening?



16 December 2021
Member States failed to adopt conclusions on high energy prices

8 March 2022
Commission publishes a communication "REPowerEU"

14 March 2022
Member States adopt "Versailles Declaration"

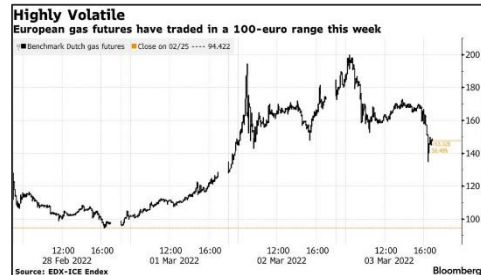
17 March 2021
Meeting of the Environment Council

24-25 March 2022
Meeting of the European Council

By end of March 2022
The Commission to present options to limit the contagion effect of the rise of gas prices to electricity prices

May 2022
The Commission to present the REPowerEU plan

24 February 2022
The war in Ukraine breaks out



What do the Member States want?

- **The European Council called on the Commission to put forward a plan to ensure security of supply and affordable energy prices by the end of March 2022**
 - EU leaders will consider concrete options to address the impact of increased energy prices on citizens and businesses, especially vulnerable citizens and SMEs, including at the next meeting of the European Council on 24-25 March 2022.
- EU leaders invited the European Commission to propose, by the end of May 2022, a **REPowerEU plan** to make the EU independent from Russian fossil fuels. EU leaders agreed to **phase out EU dependency on Russian gas, oil and coal** imports by:
 - reducing overall reliance on fossil fuels faster, taking into account national circumstances
 - diversifying supplies and routes, including through liquefied natural gas and biogas
 - further developing an EU hydrogen market
 - accelerating the development of renewables
 - improving the interconnection of European electricity and gas networks
 - reinforcing EU contingency planning for security of supply
 - improving energy efficiency and promoting circularity

What does the Commission propose?

- **Financial compensation**

- **Retail** – actions aim at cushioning the effects of the high prices on end-consumers while letting the European electricity and gas markets set the price at wholesale level
 - **Income support** – direct support to consumers through vouchers, tax rebates
 - **Temporary State Aid Framework** – adopted by the Commission, please it attached
 - **Reduced taxation** – the Commission considers providing guidance to Member States on how to make best use of the legal framework, including on targeted country-specific derogations under the Energy Taxation Directive so as to avoid distortions to the Single Market
 - **Aggregation model / single buyer**
- **Wholesale** – Member States can consider setting up an aggregator model under which an entity would buy electricity on favourable commercial terms and make it available to certain consumer categories below market price passing onwards the advantages to the consumers, essentially subsidising the difference between lower retail prices and higher wholesale ones
 - **Cap price on the fuel price for fuel generators – compensating financially fossil-based electricity generators for part of their extraordinary high fuel costs so that they reduce their offered price in the wholesale market**
 - **Cap on electricity price – by establishing a reference benchmark and compensating the difference with the offered price**
 - **Aggregation model / single buyer**

- **Regulatory**

- **Cap for the maximum price** that certain baseload generators can charge. The Commission assess that this option would bring the costs down in the longer term, its added value in the short term is to address the excessive profits of certain technologies

Next winter?

The Commission highlights that the EU should act jointly and harness its market power through negotiated partnerships with suppliers.

The following actions are considered:

- Creating a Task Force on common gas purchases at EU level, which will
 - Prepare the ground for energy partnerships with key suppliers of LNG, gas and hydrogen in the Mediterranean region
 - Be supported by Member States representatives in a Steering Board
 - Promote the efficient usage of EU's gas infrastructure notably LNG terminals, but also storage facilities and pipelines
- Optimising the use of existing storage infrastructure – please see attached the proposal for a Regulation
- Capping or modulating the gas price through regulatory means

What does it mean for the “Fit for 55” package?

The future of the “Fit for 55” package?

The Commission advises the Council and European Parliament to consider to boost proposals with higher or earlier targets for renewable energy and energy efficiency

The Council continues as initially planned, with the intention to speed up the discussions

The European Parliament believes that the package is a solution rather than a problem and speeding up renewables and energy efficiency was important and urgent

Tentative policy timeline – the ETS review

Responsible Committee: ENVI
Opinion Committee: ITRE

