
Cepi
RENEWABLE
RECYCLED
RESPONSIBLE
EUROPEAN PAPER

Confederation of European Paper Industries

23 November 2022

High energy costs

Małgosia Rybak
Climate Change & Energy Director

EU policy debates about measures against high energy costs

Source: European Commission, 2022

Cepi

Emergency intervention – agreed in September (1/3)

Reduce electricity consumption

THE COMMISSION PROPOSES:

Overall electricity demand

10%

A target for Member States to reduce overall electricity demand by at least 10%

Demand during **peak hours**

5%

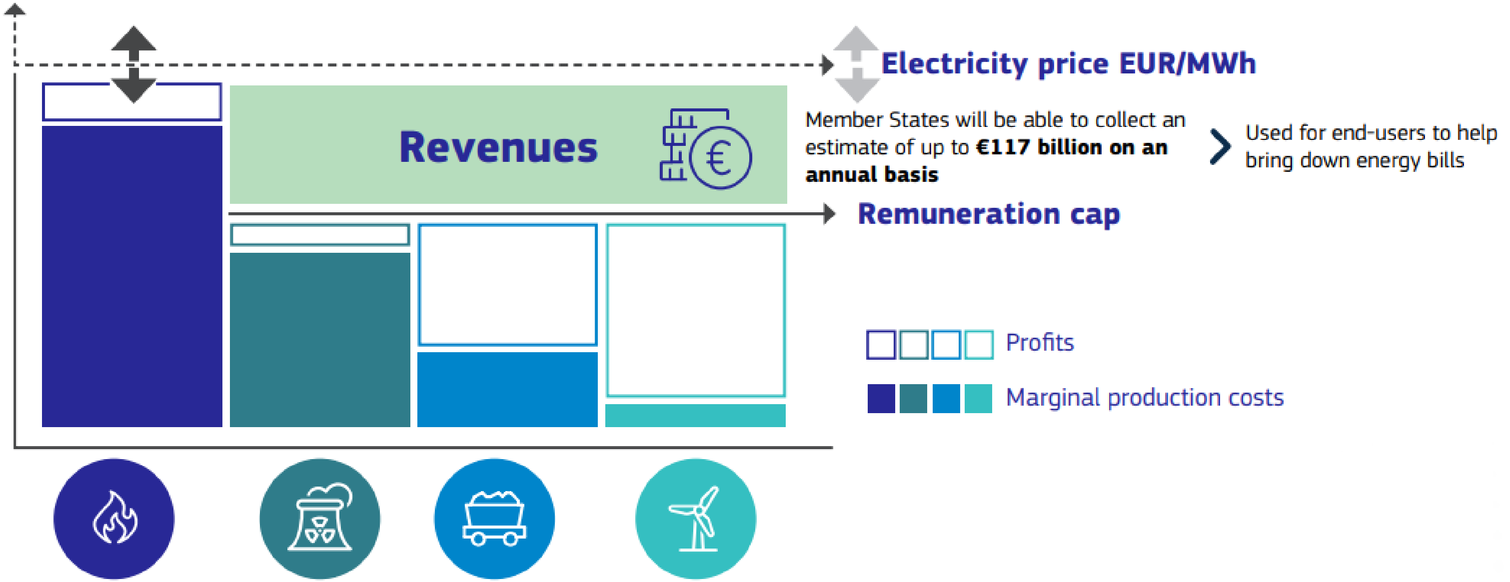
An obligation for Member States to reduce demand during peak price hours by at least 5%

Member States will be **free to choose the measures** to achieve this demand reduction. In particular, they should consider economically efficient and market-based measures such as auctions or tender schemes for demand side response or electricity not consumed.

Source: European Commission, 2022

Emergency intervention – agreed in September (2/3)

Revenue cap for low-cost power generation



Source: European Commission, 2022

Emergency intervention – agreed in September (3/3)

Solidarity contribution from fossil fuel companies

HOW THE SOLIDARITY CONTRIBUTION WOULD WORK:

- Collected on **excess profits in 2022**
- Covers profits which are **above a 20% increase** on the average profits of the previous three years
- Member State governments will **collect these revenues**
- Estimated to generate around **€25 billion** to help **bring down energy bills**

Giving **financial support to companies in energy intensive industries** provided they are investing into renewable energies or energy efficiency

Source: European Commission, 2022

High energy costs – policy mapping

	Consumption reduction targets	Temporary market intervention		Supply measures
Gas market	A voluntary 15% gas demand reduction target, which becomes mandatory in case of a 'Union alert' on security of supply * (Adopted)	A mandatory temporary solidarity contribution on the profits of businesses active in the crude petroleum, natural gas, coal, and refinery sectors * (Adopted) A new complementary benchmark for LNG * (Proposed) A dynamic price limit for transactions on the TTF gas exchange * (Proposed)	A new temporary intra-day price spike collar / volatility management mechanism * (Proposed)	New legal tools to jointly purchase gas to negotiate prices * (Proposed) Enhance transparency of intended and concluded gas supply purchases * (Proposed) Default solidarity rules between Member States * (Proposed) Measures to make the operation of pipelines and LNG terminals more efficient * (Proposed)
Electricity market	A 10% voluntary reduction target for electricity consumption A mandatory reduction target of 5% of the electricity consumption in peak hours * (Adopted)	A temporary cap revenue on electricity produced at €180 per MWh for inframarginal producers of electricity such as wind, solar and nuclear * (Adopted)		

* Adopted   * Proposed

Proposal for a Market Correction Mechanism

- The proposed instrument consists of a **safety price ceiling of** €275 on the month-ahead Title Transfer Facility (TTF) derivatives.

- The mechanism would be **triggered automatically** when both of the following conditions are met:
  - the front-month TTF derivate settlement price exceeds €275 for two weeks;
  - TTF prices are €58 higher than the LNG reference price for 10 consecutive trading days within the two weeks.

- When the price correction mechanism enters into force, **orders for front-month TTF derivatives exceeding the safety price ceiling will not be accepted**.

- The mechanism can be activated as of 1 January 2023.

What is coming next?

- On 24 November, the energy ministers are to adopt the Commission’s proposal for a Council Regulation enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks (presented on 18 October)

- 15-16 December: European Council

- Q1 2023: The Commission’s proposal for the electricity market reform

- By end March: A proposal for a benchmark of the EU's LNG imports

Cepi's actions

- Cepi's reaction paper "Options for maintaining a functioning energy market and shielding the industry against high energy costs"
- Collaboration with the energy-intensive industries
- Press quotes and interviews
- Internal survey on national measures to tackle high energy costs
- Internal survey on the impact of high energy crisis on the pulp and paper sector