

Managing energy scarcity, allocating resources, and caring for consumers

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EFET is acutely aware of current tensions in the supply of energy in Europe, of the impact this has on end-consumer bills and of the urgent need to save scarce energy resources. As European Energy Ministers have tasked the European Commission to consider various options to remedy the current situation, we invite leaders to consider the following:

Address head-on the energy scarcity problem in Europe

Energy scarcity is hitting Europe, driven by exceptional internal and external events. Efforts are underway to increase energy supply – non-Russian gas and LNG, postponement of electricity plant phase-outs, investments in more renewable energy – but may prove insufficient before the winter. Acting fast requires measures to reduce demand.

→ What to do:

- **establish targets to reduce electricity demand**, especially at peak hours, alongside what EU leaders enacted for gas in July
- **set up market-based tenders for industrial demand reduction** – successful examples of which exist in Italy or France
- **mandate load shedding priority plans by Member States, coordinated by the European Commission**, for electricity and gas

→ What not to do:

- enact measures that increase gas or electricity demand
- enact measures that deter investment in additional capacity to produce and store energy

Ensure the best allocation of resources through the market

Wholesale energy prices reflects the current energy scarcity in Europe. Their current level creates challenges for both consumers and market participants. Still, preserving the ability of the market to function is key to ensure energy goes to where it is most needed and demand reduction takes place in the least critical areas.

→ What to do:

- **offer targeted help to energy market participants in meeting margin calls** to ease liquidity stresses in long-term markets: relaxing the specification of types of eligible collateral could contribute to allowing energy companies to continue providing services to consumers

- **preserve the incentive for electricity producers and retail suppliers to contract forward contracts and Power Purchase Agreements** to continue protecting consumers against volatility
- **seek truly European solutions** to avoid market fragmentations

→ **What not to do:**

- suspend electricity, gas or carbon markets altogether
- introduce price caps on wholesale electricity and gas markets
- create piecemeal mechanisms to clawback revenues from wholesale energy transactions (at national level or through a European framework which fragments the single EU energy market)

Provide help to consumers in need

We appreciate that governments and EU authorities wish to offer greater relief to residential consumers and to some types of business customers, the higher prices rise. The hardship that high electricity prices causes to end-consumers needs to be addressed directly at that level, while engaging them in conserving energy.

→ **What to do:**

- **target financial help to those who need it most** through, e.g., temporary deferrals of bill payments, reductions in energy taxes and levies, and energy vouchers
- **preserve signals for demand reduction** and fully enable each domestic consumer to take part in energy efficiency and energy optimisation
- **engage proactively with consumers** to help them to reduce their energy consumption in a manner and with tools accessible to all; regulators, system operators and retail supply companies should play an active role in this effort

→ **What not to do:**

- shave off retail price signals for all