

Ms Ursula von der Leyen
President
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

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Dear President, *Ursula von der Leyen*

Europe faces an unprecedented energy crisis since the Russian invasion of Ukraine, which generates supply shortfalls. The recent price declines on wholesale energy markets should not make us complacent. The situation remains extremely preoccupying, and in the absence of the adequate policy response, it will get worse.

The European wholesale market gas prices remain between 5 and 7 times higher than in the United States. Many European businesses are absorbing these costs or are only partially passing them to consumers, but more and more companies are forced to reduce production in Europe. We can expect series of closures, notably among SMEs, as many enterprises' long-term energy contracts or hedges are expected to run out in the coming months. The future investment capacity and global competitiveness of EU industry is also at stake.

Therefore, in view of the extraordinary Energy Council on 24 November, we urge European decision-makers to develop a game-changing crisis framework at EU level to mitigate exceptionally high energy prices in the short-term and ensure that Europe remains an attractive business location in the longer-term.

Short-term emergency measures to mitigate high energy prices

After its recent revision, the Temporary Crisis Framework seems to better reflect the severity of the energy crisis and remains an important piece of the crisis response. The broadening of sectors eligible to aid and adjustments on several eligibility criteria are quite positive. It is however important to keep this framework under permanent review to further adjust it, as necessary, while maintaining the level playing field in the single market.

The Commission's latest proposal for a 'market correction mechanism' seems to be an interesting step, which would establish a temporary maximum gas price ceiling on the Dutch TTF. The accompanying safeguard measures are meant to help to mitigate risks to security of supply and ripple effects in the internal energy market. At the same time, the impossibility to cover Over the counter (OTC) transactions might do little to contain gas prices. Instead, the proposal could likely lead to a migration from exchange trading to OTC deals, causing market fragmentation and inefficiencies.



Despite all efforts and the need to always be cautious with market interventions as it could have unintended consequences, we remain unconvinced that the EU-wide emergency measures to rapidly lower energy bills, either adopted so far or currently under discussion are corresponding to the gravity of the situation. A stronger European response to the current crisis is essential to prevent more companies from shutting down their production and to avoid an irreversible fragmentation of our unique common energy market. We therefore call on the European Commission and all European governments to carefully consider all options for additional emergency measures, including urgently considering a temporary decoupling of electricity and gas prices.

Strong EU actions to increase supply

As far as the risks of gas supply shortages for this winter seem rather limited, thanks to all efforts undertaken so far (incl. business and industry-led initiatives to lower energy consumption and organise fuel-switching), uncertainties remain and the outlook for the long-term looks much more worrying.

More needs to be done to increase energy supplies in Europe short and longer-term, by continuing the external outreach to suppliers and by deploying additional renewable, nuclear, low-carbon energy, and natural gas capacities in Europe as soon as possible. In this context, the proposal for demand aggregation and voluntary joint gas purchasing is an important step forward. It is critical though that it includes safeguards to protect commercially sensitive information.

In addition, all options to ease domestic energy production and to mitigate the impact of the crisis on many industrial sectors should be considered, including temporary legislative adaptations or implementation moratoria. For instance, time-limited derogations on the implementation of EU legislations such as the EU ETS, the Industrial Emissions Directive or the Water Framework Directive should be considered.

Lastly, the proposed regulation to accelerate the deployment of renewable energy is welcomed and can play a crucial role in dealing with the current crisis. However, amendments are necessary to ensure an effective implementation as an emergency measure. For example, it must apply to all renewable projects that are currently at some stage of their licensing process (instead of only new projects that start during the application of the regulation). Also, the regulation should mandate member states to take all the necessary measures, under a certain time limit, for the prompt implementation of the requirements as part of a contingency plan.

We count on you to consider urgently all these points and remain at your disposal for any further information required.

Yours sincerely,

Fredrik Persson
President

Markus J. Beyrer
Director General