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**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**

Energy Emergency - preparing, purchasing and protecting the EU together

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INTRODUCTION

Russia's unjustified military aggression against Ukraine and its weaponisation of energy have provoked an unprecedented energy crisis. They have caused a sharp rise in energy prices and compromised our security of energy supply. Russia's decision to cut-off of supply through the Nord Stream1 has brought this crisis to a new stage.

The European Union has acted in unity. The plan and regulation to reduce gas demand¹, as well as emergency measures to intervene on energy markets², as proposed by the Commission, are having an impact. The Union is reducing its gas consumption since the start of the Russian aggression³. The phasing out of Russian fuels has accelerated, down to 9% of our pipeline gas supply in September 2022 and 14% when including LNG, compared to a 41% share of Russian pipeline gas and 45% when including LNG in 2021. The intensified cooperation with reliable supply partners has compensated for the sharp decrease in Russian gas imports. Our gas storage filling is above 91% by mid-October. We are now in a stronger position than a few months ago.

Despite these actions, the situation remains extremely challenging. European consumers and businesses continue to be exposed to prices that are too high and volatile. Unpredictable events, like the sabotage of pipelines, may still disrupt our security of supply. Tensions on gas markets are likely to persist, also beyond this winter.

The European Council in its informal meeting of 6 October in Prague, the informal meeting of Energy ministers of 12 October and the European Parliament in its resolution on the EU's response to the increase in energy prices in Europe⁴ have asked the Commission to propose measures to coordinate solidarity efforts, secure the energy supply, stabilise price levels and support households and companies facing high energy prices.

In her letter to the Heads of State and Government, President von der Leyen has set out **a roadmap for the way forward**, based on four sets of actions: dampening the price we pay for our gas imports without endangering our security of supply, working together with Member States to limit prices on the natural gas market, limiting the impact of gas prices on electricity prices, and accelerating our transition to energy independence. Action is also urgently needed to step up the EU's capacity to stand up to potential attacks against critical infrastructure and alongside this package of energy-related measures, the Commission is also presenting a proposal for a Council recommendation on strengthening the resilience of critical infrastructure. Today, the Commission is putting forward an enhanced framework for action to implement this roadmap.

Europe can build on its strengths by leveraging the single market to make joint purchasing a reality and keeping market prices in check, including by putting a limit to extraordinary price spikes as

¹ [EUR-Lex - 52022DC0360 - EN - EUR-Lex \(europa.eu\)](#)

² [EUR-Lex - 52022PC0473 - EN - EUR-Lex \(europa.eu\) \(TBC with final text\)](#)

³ [To be confirmed by the reporting from Member States on the implementation of the Gas Saving Regulation due by 15 October](#)

⁴ [European Parliament resolution of 5 October 2022 on the EU's response to the increase in energy prices in Europe \(2022/2830\(RSP\)\)](#)

well as by making the best use of existing infrastructure to ensure that gas flows where it is most needed.

This is the moment to act, for this winter and beyond. The new measures on energy proposed today are exceptional and temporary. They respond to the crisis at hand. But they lay the basis for more structural measures that will further strengthen the resilience and the efficiency of the Energy Union.

Building on today's measures, the Commission will put forward ordinary legislative proposals for the consideration of co-legislators, who have a crucial role to play to ensure that Europe will benefit from more secure, affordable and clean energy beyond the current crisis. One of these will address the reform of the electricity market design.

In the meantime, the Commission will engage closely with the European Parliament by setting up a contact group for a real-time dialogue on the emergency response to the energy crisis.

1. BUYING GAS TOGETHER AND SAFEGUARDING OUR SECURITY OF SUPPLY

While the EU will be able to withstand this winter, we need to prepare for possible further disruption, and lay a sound foundation for the following winter. Current projections show that a too low storage level in March 2023 may lead to a precarious situation in the winter 2023-2024. While increased gas savings will allow the Union to reduce its exposure to high import prices, it should also use its market leverage to secure gas at globally competitive prices.

The Commission has intensified its links with reliable gas and LNG suppliers. It has concluded agreements with the US, Canada, Norway, Azerbaijan, Egypt and Israel. The EU and Norway have set up in October a task force to stabilise energy markets. The EU-Algeria Energy Dialogue resumed in October.

We are also stepping up our engagement and solidarity with the countries in the Western Balkan and the Eastern partnership, our closest neighbours. The EU Energy Platform is open to our partners of the Energy Community. Earlier this year, the electricity grids of Ukraine and Moldova were synchronised with the continental grid. And earlier this month, a new gas interconnector was inaugurated between Bulgaria and Greece, which will also serve North Macedonia and Serbia. As the entire region is facing a difficult winter because of Russia's energy war, such efforts should accelerate, to further integrate the region into our Energy Union.

With the support of the EU Energy Platform set up in April 2022, the Commission will continue deepening its long-term cooperation with all reliable partners in order to ensure that gas, notably LNG, continues flowing towards the EU. It is also laying the ground for partnerships on hydrogen in order to reach the REPowerEU objective of 10 million tons of green hydrogen imported in 2030. Discussions with international partners also cover the price of the gas they supply to Europe as part of mutually beneficial agreements.

Today, we propose to equip the EU with the legal tools to jointly purchase gas. The Platform should first and foremost coordinate the filling of gas storage facilities, in line with our filling

targets. For the next winters until 2025, including the 2023-2024 one, a gap of uncontracted demand of up to 100 bcm per year is estimated in case of a full interruption of Russian supplies. If storage supplies are depleted at the end of this winter, their filling to 90% by November 2023 as required by the EU Gas Saving Regulation may be more difficult than for this winter.

To enable joint purchasing, especially for the filling of gas storages, the Commission proposes:

- Demand aggregation at EU level, grouping together gas import needs and seeking offers on the market on that basis;
- A mandatory participation by Member States in the EU demand aggregation for at least 15% of their storage filling volume;
- A voluntary purchasing system, allowing companies to form a European gas purchasing consortium. The Commission stands ready to accompany companies in the design of the consortium and rapidly issue a decision on inapplicability of Articles 101 and 102 TFEU if relevant safeguards are respected.

Joint purchasing will facilitate a more equal access to new suppliers and international markets and give more negotiating weight to European importers. Russian supply sources will be excluded from participation in the Platform.

The joint purchasing will deliver its full benefits only if the Commission and Member States ensure **transparency** to the EU Energy Platform of intended and concluded gas supply contracts across the Union, in order to assess whether the objectives of security of supply and energy solidarity are met. A strong coordination with and among Member States via-à-vis third countries via the Energy Platform will ensure the Union's collective weight is more effective. It will prevent Member States and gas importers from outbidding each other and driving up prices.

The availability of capacities in LNG terminals and pipelines will be a key factor of success in joint purchasing. This is even more important at a time of emergency, where congestion of pipelines and terminals causes bottlenecks in the supply of gas, including for the filling of storages. Therefore, the proposal includes rules on transparency of unused long-term capacity of terminals and pipelines in case of short-term congestion.

Solidarity and ensuring gas flows to where it is needed

The EU has strengthened its tools for **savings in gas and electricity**. However today, we need to use the agreed regulations to their fullest extent in order to reach our demand reduction targets. This will help us withstand further gas supply disruption, and ease pressure on international gas markets, and therefore on prices. The Commission will closely monitor demand reduction measures and stands ready to trigger the EU Alert or even revise the gas demand reduction targets if voluntary demand reduction measures prove insufficient to ensure sufficient gas supplies over the winter.

To reinforce preparedness for possible emergencies over the winter period, the Commission proposes measures allowing Member States to exceptionally **reduce non-essential consumption** such as outdoor heating to ensure that gas is being supplied to other essential sectors, services and

industries. Member States can redefine who are protected consumers, as long as vulnerable households continue to be protected in all circumstances.

Solidarity is the cornerstone of the Union, and it underpins the efficiency of its action. Five years after agreeing on the Security of Supply Regulation, only 6 bilateral solidarity agreements between Member States have been signed, out of the 40 possible ones. This is too slow. The Commission proposes to boost the Union's ability to react swiftly in case of emergency by setting default rules on solidarity, which will ensure that a Member State facing an emergency will receive gas from the others in exchange for fair compensation. The proposal would also be extended to cover not just Member States that are directly connected or via a third country, but to Member States with LNG facilities even when not directly connected. The European single market for gas and uninterrupted gas trade within the Union are a prerequisite for a safe winter for all Europeans this year and next.

2. ADDRESSING HIGH ENERGY PRICES

Although wholesale prices have decreased since the peak of summer 2022, they remain unsustainably high for a growing number of Europeans. More and more citizens are at risk of energy poverty. Vulnerable consumers are the most impacted, but both businesses and households are increasingly burdened by costly gas and electricity bills.

This requires action, in particular for gas, given its weight for households and industry and its impact on electricity prices.

Gas prices on the main European gas exchange, the Title Transfer Facility (TTF) reach unprecedented levels and are very volatile. While this reflects the specific situation of Northwestern Europe, due to local shortages and infrastructure bottlenecks, the TTF often impacts price levels in long-term contracts outside of Northwestern Europe and many LNG transactions. We need price indexes that reflect the actual conditions of the market.

The Commission therefore proposes developing a **new complementary price benchmark for LNG**. An LNG-based benchmark would be a more accurate basis for LNG transactions, offering a fairer and more transparent price index. The European Union Agency for the Cooperation of Energy Regulators (ACER) should collect the information necessary to create this new benchmark by the end of 2022 and the index should become available in time for the next filling season early 2023.

While this benchmark is being developed, the Commission proposes to put in place a mechanism **to limit prices via the main European gas exchange**, the TTF, to be triggered when needed. The price correction mechanism would establish, on a temporary basis, a dynamic price limit for transactions on the TTF. This will help avoid extreme volatility and price hikes, as well as speculation which could lead to difficulties in the supply of natural gas to some Member States. The Commission put this already forward as an option in March 2022. Today, considering the unprecedented nature of the energy crisis, and building on the framework for demand reduction measures now established, the time has come to put in place such mechanism.

In order to **limit intra-day volatility**, the Commission proposes introducing a new temporary intra-day **price spike cap mechanism** to avoid excessive price volatility and prevent extreme price spikes in prices on energy derivative market. Such a mechanism will ensure sounder price formation mechanism in those markets, protecting EU energy operators from large intraday upward price movements and helping them secure their energy supply in the medium term.

The Commission will develop with Member States ways to **limit the impact of high gas prices on electricity prices**. Introducing a price cap for gas that is used for electricity generation has brought down prices in Spain and Portugal, but it bears some risks if introduced across the EU. EU Member States are diverse when it comes to their energy mixes, connections and power systems. A solution needs to be designed that works for all of them and that is in line with our wider goals: not increasing gas consumption and managing flows beyond the EU's borders.

Lastly, the Commission supports the new enhanced structured cooperation mechanism which has been set up by ACER and the European Securities and Markets Authority (ESMA), together with national energy and financial market supervisors, to closely monitor developments in the energy market. This joint action will help track trading patterns and dynamics across the various segments of the gas and electricity markets. It will reinforce market surveillance and any necessary enforcement actions by market supervisors.

3. MITIGATING THE IMPACT OF HIGH GAS PRICES

In addition to its action on prices, the Commission and Member States have put together financial and other measures to shield consumers and businesses hit by the external shock on energy prices. The Single Market, which helped the Union tackle previous crises, must be preserved. It is crucial that common shared EU solutions are pursued avoiding piecemeal national solutions dependent on the different fiscal space of Member States.

The Commission intends to give to Member State more leeway to support their companies, by amending the **Temporary Crisis Framework** while preserving the level playing field in the single market. The time limits for State support are extended, and in order to keep our short-term action in line with our long-term goals, new options are offered to support companies who would reduce their electricity demand. This framework will give more opportunities to Member States to support those companies which most need it, while maintaining a level playing field within the EU. The Commission will ensure that all requests by Member States for temporary exemptions or reductions are dealt with quickly and consistently and that all relief action actually reaches households and businesses.

Derivative markets are essential for energy companies to continue their activities. However, price spikes and extreme volatility in the energy derivatives markets have led to **liquidity** issues for energy companies. It is of utmost importance to give our energy companies additional margin of maneuver so that they can secure supplies and purchases of energy commodities in the medium term. This is why the Commission, in line with the advice of the European Securities and Markets Authority (ESMA), is adopting two delegated regulations to ease the increased liquidity pressure on non-financial market participants resulting from the rise in the margin requirements.

They will:

- Increase the clearing threshold for non-financial counterparties to EUR 4 billion⁵. This increase will only benefit non-financial counterparties and will relax margin requirements while preserving financial stability.
- Broaden the list of eligible assets that central counterparties may accept to cover their risks⁶ for one year. This will allow non-financial companies⁷ as well as all market participants to use extra types of guarantees under specific conditions, for meeting their margin calls⁸.

The Commission also proposes to **make the cohesion policy framework more flexible** to help Member States and regions through targeted, temporary and exceptional measures to face the challenges resulting from the current energy crisis. It will provide support to SMEs particularly affected by energy price increases, help address energy poverty through support to vulnerable households and provide support for access to the labour market by maintaining jobs of employees and of the self-employed, through short-time work and equivalent schemes. Expenditure for such exceptional measures could represent up to 10% of the total national cohesion policy funds allocation for 2014-2020. The maximum payments to be made in 2023 from the EU budget (excluding REACT EU) are capped to EUR 5 billion.

[Boosting REPowerEU]

4. CRITICAL INFRASTRUCTURE

Equipping the EU to deal with the evolving threat landscape requires constant vigilance and adaptation. Russia's war of aggression against Ukraine has brought a new set of threats, often combined as a hybrid attack. One of these is the risk to critical infrastructure of European interest. This has become blatantly obvious with the apparent sabotage of the Nord Stream gas pipelines.

The Commission has already announced action to improve the security of critical infrastructures following the pipeline explosions. The Commission is therefore today proposing a Council recommendation to intensify the EU's support to increasing the resilience of critical infrastructure, and to ensure an EU-level coordination, in terms of preparedness and response, as well as enhanced cooperation for infrastructure that is of cross-border interest. This proposal aims to maximise and accelerate work to protect those assets, facilities, and systems that are necessary for the functioning of the economy and to provide essential services in the internal market, which citizens rely on, as well as to mitigate the impact of any attack by ensuring the swiftest possible recovery. The Commission will work with Member States with a view to stress-test their critical infrastructure, starting with the energy sector and then followed by other high-risk sectors such as

⁵ Commission Delegated Regulation No (EU) XX supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council (EMIR) with regard to the value of the clearing threshold for commodity derivatives

⁶ Commission Delegated Regulation (EU) No XX amending the regulatory technical standards laid down in Delegated Regulation (EU) No 153/2013 as regards temporary emergency measures on collateral requirements

⁷ Acting as clearing members.

⁸ In its public Q&As ESMA will also confirm that other assets, such as short-term debt instruments issued by companies or EU bonds, can be used as collateral in meeting margin calls.

communication, transport and space. The stress test exercise will be complemented by the production of a Blueprint on critical infrastructure incidents and crises, done in consultation with Member States and with the support of relevant Union agencies. The aim of the Blueprint is to describe and set out the objectives and modes of cooperation between the Member States and EU institutions, bodies, offices and agencies in responding to incidents against critical infrastructure, in particular where these entail significant disruptions of the provision of essential services for the internal market. Furthermore, the Commission and the High Representative will strengthen cooperation key partners on the resilience of critical infrastructure as well as with NATO through the EU-NATO structured dialogue and a Task Force will be set up with NATO for this purpose.

In parallel, to optimise the use of gas and LNG infrastructures, the Commission proposes new tools to provide more **information on the available infrastructure capacity**, and new mechanisms to make sure that no company can book capacity and leave it unused. Such mechanisms already exist, but the reallocation of capacities can take several months – our proposal aims at making a rapid reaction possible, notably in case of short-term congestion. Well-functioning infrastructures are particularly important for landlocked Member States, who do not have an immediate access to LNG and therefore have less obvious means to diversify their supply.

We also need to shift gear and accelerate renewable energy production in the EU and reach our long-term climate goals. **Permitting procedures for renewable projects** are still too long. It is crucial to ensure that new projects do not threaten biodiversity and are well accepted by citizens, but there is scope to cut processes while meeting these requirements. In the framework of REPowerEU, the Commission already made proposals to accelerate permitting. Given the urgency in ensuring sufficient security of supply and in accelerating the deployment of renewable energy, the Commission urges the legislators to rapidly reach agreement on these proposals. It stands ready to propose a dedicated regulation to directly simplify and shorten the administrative permit-granting processes applicable to certain renewable energy projects in a coordinated and harmonised manner across the EU.

CONCLUSION: A STRONGER ENERGY UNION

The magnitude of the current energy crisis is unprecedented. It requires a common extraordinary emergency response in the spirit of solidarity. The EU has already taken decisive steps and stands ready to go further.

Over the last year, the Commission has put forward and implemented several initiatives, gradually moving from enabling action at national level to setting up an integrated security of supply strategy as well as, more recently, emergency measures aiming to decouple electricity bills of consumers and companies from the price of gas, to coordinate reduction of electricity demand, improve Member States toolbox to protect consumers and companies from high energy prices and introduce a solidarity contribution for the fossil sector.

The new set of emergency measures goes one step further in solidarity and integration, putting the weight of our single market to the service of our security of supply, affordability and sustainability of energy.

The Commission stands ready to engage immediately with the Council and support it in making fast progress starting with the Energy Council on 25 October.

Solidarity and joint actions are the most efficient response to this crisis, and by we standing united, the EU and its Member States will overcome the crisis and forge a genuine competitive Energy Union.

ANNEX

Measures proposed in the package (TBD)

BUYING GAS TOGETHER AND SAFEGUARDING OUR SECURITY OF SUPPLY
Coordinating and intensifying energy supply negotiations with all reliable partners
Leverage European market power through a joint purchasing platform to obtain additional supplies for storage filling (Article 122 proposal)
Commission proposal to boost the Union's ability to react swiftly in case of emergency by setting default rules on solidarity (Article 122 proposal)
ADDRESSING HIGH ENERGY PRICES
The Commission proposes the development of a specific price benchmark for LNG by the end of 2022 (Article 122 proposal)
The Commission proposes to put in place a mechanism to cap prices on the main European gas exchange , which will help avoid speculation
The Commission proposes a new temporary intra-day volatility management mechanism to avoid excessive volatility and slow down the increase in prices in energy derivatives markets
MITIGATING THE IMPACT OF HIGH GAS PRICES
The Commission will propose to amend the Temporary Crisis Framework for State Aid before the end of October
The Commission, in cooperation with the European Securities and Markets Authority, proposes two delegated regulations to ease the increased liquidity pressure on non-financial market participants resulting from the rise in the margin requirements
Additional funding through the cohesion policy framework (Common Provisions Regulation amendment) as well as through REPowerEU
CRITICAL INFRASTRUCTURE
Council Recommendation on critical infrastructure
Commission proposal to use new tools to provide more transparency about capacity (Article 122 proposal)
Moving faster on renewables production by accelerating permitting procedures