

## SPEECH OF CATHARINA SIKOW-MAGNY

### *Context and need for action*

- The crisis resulting from Russia's invasion of Ukraine has been strongly affecting our energy market. Alongside **the gas supply disruptions that we experienced last year**, we also experienced **a crisis in the electricity market where prices on consumer bills dramatically increased**.
- The Commission had been closely following the market developments and the **evolution of energy prices**. We are certainly aware that the high energy prices have been fundamentally impacting the lives of European citizens and the competitiveness of businesses, especially energy intensive industries.
- These challenges have been felt across the EU and a **rapid and coordinated EU-wide response was necessary**.
- We were concerned that different and uncoordinated national measures could negatively affect security of supply and undermine the internal market and we therefore took **early and decisive actions** to address the impact of the energy crisis on both industry and consumers at EU level.
- Today I will set the context of the Council Regulation on the Emergency intervention in the electricity market and focus my comments mainly on measures specifically related to electricity market legislation.

### *Immediate actions from the Commission to address the short term*

- The Commission's first communication on this topic was in October 2021, where we presented an **energy prices toolbox**, to provide guidance to Member States on how they could tackle the sharply increasing energy prices and protect consumers and companies.
- Following this, through the **REPowerEU plan** adopted in May 2022, the Commission set out a broad set of measures to strengthen not only the **response to high energy prices**, but also to rapidly **reduce our dependence on Russian fossil fuels** through supply diversification and by accelerating the clean energy transition.
- In order to ensure coordinated actions, the Commission proposed **emergency measures** on various aspects which I will present now.
- To alleviate energy prices last winter and ensure energy supply without triggering increased use of gas, the **revised Gas Storage Regulation** together with the **Gas Demand Reduction Regulation** were adopted in record time in July 2022. As a result, we reached our objective and successfully reduced gas consumption by 15% last winter. We are also on track this spring for the gas storage filling obligations.

- Then in September, the Commission proposed **emergency measures to reduce electricity demand and to mitigate high prices** with a cap on market revenues from inframarginal technologies and a solidarity contribution on excess profits from oil, gas, coal and refinery sectors and a redistribution to support final consumers – this is the measure we will focus on today.
- The proposal was **rapidly adopted by the Council, on 6 October. The goals of the legislation were as follows:**
  - **Reducing our electricity demand** in order to soften the peak prices and lower the gas consumption used to generate electricity.
  - **Collecting and redistributing the energy sector's surplus revenues to final consumers** to help lowering their bills.
  - Introduce a **solidarity contribution from the fossil fuel industry** as an exceptional measure that was adopted to address the unpredictable and unprecedented circumstances caused by the energy crisis.
- The Commission has also been working to **address the short-term bottlenecks of the energy transition and speed up the permitting process and targeted measures addressed to accelerating the permit-granting process** of specific renewable energy technologies and types of projects which have the highest potential for quick deployment and effect in the short term.
- In parallel to these structural measures, the Commission updated **the State aid Temporary Crisis framework in 2022** to provide rapid relief to struggling companies and to help accelerate the rollout of renewable energy as well as the decarbonisation of industries.

#### *Longer term actions – EMD revision*

- And on the longer term? If you allow, I will give you a short update on where we stand today.
- This crisis threatening the security and affordability of energy has **hastened the need to decarbonise and to speed up the use of renewable and low carbon energy sources**. This triggered a **reflection on the changes needed to our electricity market design**.
- In March, we therefore made a proposal to adapt the electricity market design to these challenges:
  - To **bring the benefits of lower cost renewables and low carbon technologies to consumers** by making consumers' bills more independent from short-term markets (which is still very often dominated by gas-fired power plants).

- To **reduce price volatility** and **improve market liquidity** and the **investment incentives** for flexibility, grids and adequate generation capacity.
- To ensure we continue to **benefit from trade between Member States** and from the internal market and
- To improve **their protection and further empower consumers**.
- To verify we have the right market oversight to **deliver all the benefits of the energy transition** in the electricity sector.
- Some of the elements in our current proposal build on our experience of the Emergency Regulation.
- We are now looking forward to a speedy adoption by the co-legislators to ensure we can limit consumer exposure to fossil fuel prices, bring the benefits of lower cost renewables to all and address affordability, decarbonisation and security of supply goals.
- Thank you for your attention and I'm happy to take any questions.