



European Commission - Speech [Check Against Delivery]



Opening remarks by Executive Vice-President Timmermans and Commissioner Simson at the press conference on an emergency intervention to address high energy prices

Brussels, 14 September 2022

Opening remarks by Executive Vice-President Timmermans

Good afternoon everyone,

It has now been almost 7 months since Putin started its illegal, barbaric war against Ukraine. We have since seen some incredible acts of bravery from the Ukrainians and despicable acts of barbarism from the Russians, but we have also seen strong solidarity from Europeans.

Putin's war has stoked an energy crisis in Europe that continues to have huge repercussions. In response, we have moved swiftly to secure alternative supplies, accelerate the rollout of renewables, and start reducing gas demand to ensure European citizens are safe for winter.

But we are still confronted with a profound mismatch between supply and demand on the energy market. What was once a free and functioning market has been sabotaged.

We need to understand that the pre-war situation with abundant, cheap fossil fuels is not coming back.

Putin's weaponization of energy is confronting us with increasingly unbearable energy bills that households, and especially small and medium-size enterprises, are grappling with.

Leaving this to the market would mean pricing out the poorest consumers, pushing businesses to the brink of collapse, and letting families go cold. Not everyone needs help with their bills, but those who need it, and those are millions and millions of Europeans, need it very urgently.

The situation is unprecedented and so our proposals to tackle it should be unprecedented.

Our package today therefore does several things:

First, it brings a European reduction in electricity consumption of 10%. During peak-hours, electricity consumption must go down at least 5% so we avoid using the most expensive gas-fired power plants and bring down the price of energy. This will be mandatory, so that the targets are met by everyone.

Let me underline here as well that reducing our gas and electricity consumption as such is fundamental to the success of any measure to tackle this energy crisis. Demand reduction helps rebalance the energy market, lower energy bills, reduces emissions, and makes us immune to Russia's gas games. Without demand reduction, this is not going to work.

Second, our package proposes a European mechanism for collecting and redistributing the exceptional surplus profits and revenues that the war in Ukraine has brought several energy companies. This can generate up to € 117 billion for Member States to support European households and businesses who face unsurmountable energy bills.

Today, gas-fired power plants have extremely high operating costs. And these plants set the market price. This means that power generators with lower operating costs have been able to reap extraordinary profits, way beyond what may have been reasonably expected based on investment decisions. So we propose to cap the revenues of these so-called infra-marginal producers at € 180 per MWh. This level still grants them a profit margin and preserves their incentive to invest.

But fossil fuel companies outside the power sector have also benefitted enormously from the current market situation. We've seen it this summer: share buy-backs, exceptional dividends, etcetera. So as our third measure we ask them for a solidarity contribution, to help support electricity consumers.

To distribute these funds to families and businesses, we offer Member States several suggestions: from direct transfers to end-users and premiums for cutting energy use, to setting lower price for limited volumes which is a good way to offer specific support to lower- and middle-income

households.

At this stage, prices remain high. And there is no quick fix. I really need to emphasise that. The next winters – not just this one – will be difficult, make no mistake about that.

But I am confident that these measures will bring progress, just like our previous ones did. Our dependence on Russian gas is down from 40% to 9%. Storage in every Member State is quickly nearing the required 80%, and the EU-average, as the President said this morning, is close to 84%. We are all saving more and more energy. And the pace of renewables being rolled out is steadily rising.

In the end, our green energy transition is the only way to rid ourselves of Putin's energy yoke and it will create energy sovereignty in Europe. The era of cheap fossil fuels is over and the faster we move to cheap, clean, and home-grown renewables, the sooner we will be immune to Russia's energy blackmail and anybody else who may think they can blackmail us with energy.

Putin seeks to divide us. But we need to show him that we are much stronger than that. Looking back to where we started, it's clear that when Europe is united, when we lock arms and stand together, there is nothing we can't do.

Opening remarks by Commissioner Simson

Thank you, Frans, and good afternoon, everyone.

Today we are presenting an emergency proposal for a targeted and time-limited intervention to address high energy prices.

We need to take this step, to prevent a worsening of the outlook and protect citizens and business from the effects of spiking prices.

Unfortunately, the Summer has not offered a break from the energy crisis.

Gas flows from Russia have further dropped since July. The manipulation of supplies is tightening the market and pushing gas prices to new records.

These tensions are having a ripple effect on the electricity market. This has been made worse by other challenges, including an extraordinarily hot and dry summer that gives us a taste of the impact of climate change.

As a result, electricity prices are at unsustainable levels. This is hurting our people and industry.

Member States are continuing to take steps to shield consumers and support energy utilities experiencing liquidity issues. But given the scale of this crisis there is significant value to be added with coordinated intervention at EU level.

This is the basis of today's proposals.

First, we are encouraging Member States to continue their efforts to keep electricity consumption in check. There will be a binding target for peak hours. So Member States would have to cut consumption during the most expensive time - when gas generally sets the price - by at least 5%.

This will reduce pressure on prices across the EU, alleviate security of supply concerns and reduce the risk of blackouts or rationing.

It will be up to Member States to identify the peak hours and to choose appropriate measures to reduce demand, but the direction is clear and common to all.

Second, Member States have taken measures to mitigate the price increases, at a considerable cost for their budget, and are looking now for new ways to sustain this effort.

Today we are proposing a temporary correction to the functioning of the electricity market which will help them to do that.

We are proposing to set a limit at EU level for the remuneration of the inframarginal electricity technologies. Today, gas – or sometimes coal – usually sets the final price for wholesale electricity. A company that produces electricity with lower costs will benefit massively from this, resulting in excessive revenues. At the same time, consumers do not get the benefit in their bills of the growing share of renewables.

An EU-wide cap at 180 €/MWh on revenues from different technologies like renewables, nuclear energy and lignite will generate funds that can be channelled to support consumers.

Today's proposal also gives Member States the option to extend regulated retail electricity prices to small and medium-sized enterprises and sets out that such regulated prices can be lower than electricity costs. This brings legal clarity and certainty over what Member States can do to in this area.

Finally, the oil, gas and coal companies, which are also making huge, unexpected profits, should be part of the effort to address this crisis. We are therefore introducing an exceptional solidarity contribution from the fossil fuel sector that targets these surplus profits.

It would be collected by Member States on 2022 profits which are above a 20% increase on the average profits of the previous three years, at a rate of at least 33%. We believe that this is fair and proportionate, leaving a margin for future investment.

While it's an EU-level policy, the Member States will be in charge of collecting the revenues and channelling them into consumers' support measures and investments related to the energy transition.

These are the key elements of our Article 122 Regulation.

On top of this, we are taking action to prevent the energy crisis from turning into a financial market crisis and to preserve the level playing field in the Single Market.

In a number of Member States, energy companies are struggling with liquidity. Commissioner Mairead **McGuinness** and her services have kickstarted work on measures to solve the liquidity issues on the energy futures market. Executive Vice-President Margrethe **Vestager** has begun the process of simplifying the procedures and expanding the scope for state guarantees under the Temporary Crisis Framework for State Aid.

By addressing these urgent issues, we will also preserve the progress made in preparing Europe to go through the coming winter safely.

The joint storage policy and the coordinated gas demand reduction efforts are working well. The EU storage level is today over 84% and the monthly gas consumption is around 10% lower than in previous years.

We have also made huge strides in securing alternative gas supplies. Norway, not Russia, is the biggest gas supplier to the EU today. Flows from other partners have increased and the US has already delivered the additional 15 bcm of LNG agreed by Presidents von der Leyen and Biden.

We have come a long way on the road to REPowerEU since last March.

But we know that this is a long game. We continue to believe that a gas price cap on Russian pipeline imports is warranted, but more work is needed to assess adverse impacts on some Member States. In addition, we are deepening our analysis of how a horizontal cap on all gas imported in Europe would work and what are its implications.

As President **von der Leyen** said this morning, we will develop with the Member States a set of measures that take into account the specific nature of our relationship with suppliers – ranging from unreliable suppliers such as Russia to reliable friends and partners.

She also mentioned that we are looking into a complementary EU price index for LNG. TTF, the current pricing benchmark for gas, is not up to the current situation on the market.

In the end, the only lasting solution both to the security of supply and price challenges is a green and efficient energy system. This is why the Parliament's vote today on the revision of the Renewables and Energy Efficiency Directives was so important. And now I truly hope that the co-legislators to accelerate the work on the RepowerEU proposals on permitting and authorisation.

Thank you.

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Press contacts:

[Tim McPHIE](#) (+ 32 2 295 86 02)

[Giulia BEDINI](#) (+32 2 295 86 61)

[Ana CRESPO PARRONDO](#) (+32 2 298 13 25)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)

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