European Commission

EU EMERGENCY INTERVENTION TO REDUCE ELECTRICITY BILLS IN EUROPE

#SOTEU

2022

Russia's deliberate weaponisation of gas flows has created **unprecedented volatility and uncertainty** in EU and global energy markets. European gas prices have skyrocketed and have an impact on electricity prices when gas is used in power plants. This summer the situation was compounded as droughts and heat waves caused by climate change drove down electricity generation and drove up demand. The Commission is proposing an **emergency intervention with three tools**, to help Europeans pay their bills and speed up the green transition.

Reduce electricity consumption

THE COMMISSION PROPOSES:

Overall electricity demand **10%**

A target for Member States to reduce overall electricity demand by at least 10%

Demand during **peak hours** **5%**

An obligation for Member States to reduce demand during peak price hours by at least 5%

Member States will be **free to choose the measures** to achieve this demand reduction. In particular, they should consider economically efficient and market-based measures such as auctions or tender schemes for demand side response or electricity not consumed.

By reducing electricity demand by **5% at peak** times, we **reduce** gas use for power by around 4% over the winter and reduce pressure on prices

5% at peak times

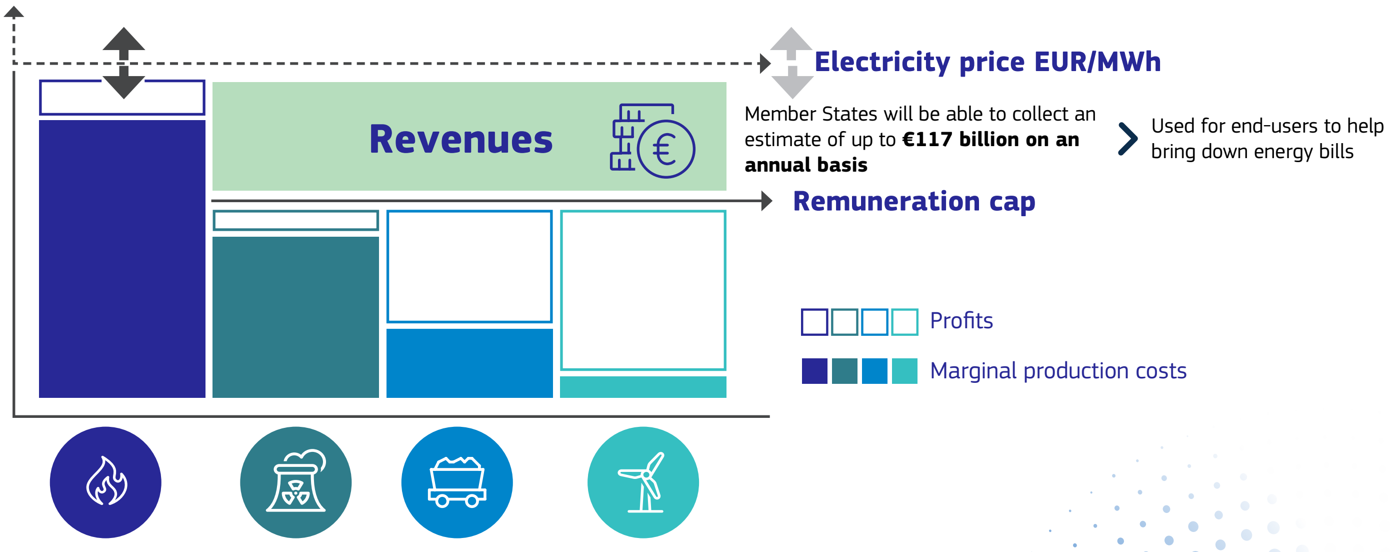
4% gas use for power

Revenue cap for low-cost power generation

'Inframarginal' electricity producers have been making exceptional profits as high gas prices have driven up the wholesale electricity price, while their generation costs have remained low. The Commission is therefore proposing a **temporary EU revenue cap** of €180 MWh of electricity produced from those technologies: nuclear, lignite and renewable sources, among others.

Any revenue above this level will be collected by the Member State governments and **redirected to energy consumers** to alleviate the impact of high energy prices.

HOW DOES THE REMUNERATION LIMIT WORK?



EXAMPLES OF HOW MEMBER STATES CAN USE THESE REVENUES:

Compensation to electricity customers for **reducing their consumption**

Direct transfers to **customers**

Compensation to suppliers who deliver electricity to customers below costs

Lowering electricity costs of customers for limited volumes

Promoting **investments** by customers into **renewables** and **energy efficiency**

Solidarity contribution from fossil fuel companies

Oil, gas, coal and refinery companies have also made massive profits in recent months, mostly due to energy market disruptions spurred by Russia's invasion of Ukraine, rather than business decisions or investments. These companies are not impacted by the aforementioned measures. In the interests of solidarity and fairness, and in respect of the European Green Deal, all energy sources must help to mitigate the impact high prices have had on consumer bills. The Commission proposes **a temporary solidarity contribution on surplus profits generated from activities in the fossil fuel sectors** in 2022.

HOW THE SOLIDARITY CONTRIBUTION WOULD WORK:

- Collected on **excess profits in 2022**
- Covers profits which are **above a 20% increase** on the average profits of the previous three years
- Member State governments will **collect these revenues**
- Estimated to generate around **€25 billion** to help **bring down energy bills**

THE TEMPORARY SOLIDARITY CONTRIBUTION CAN BE USED FOR:

Financial support to final energy consumers including households, notably vulnerable households, and companies

Reducing energy consumption including through **incentives for demand reduction** and promoting investments by end-users in **renewables**, **energy efficiency** or other decarbonisation technologies

Giving **financial support to companies in energy intensive industries** provided they are investing into renewable energies or energy efficiency

Financing **cross-border projects** in line with the REPowerEU objectives

Common financing of **measures protecting employment** or **fostering the green transition**

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