



– Press Release –

Initial Europex reaction to Commission communication on joint European action for more affordable, secure and sustainable energy

Brussels, 9 March 2022 | Europe is currently facing a severe shock to its energy markets, the reasons for which are diverse, ranging from global demand and supply fundamentals in the early stages and now strongly influenced by the Russian invasion of Ukraine. It is necessary to alleviate pressure from consumers, particularly low-income households, in a way that compliments rather than distorts the functioning of the Internal Energy Market. To this end, we welcome yesterday's "Communication on Joint European Action for more affordable, secure and sustainable energy" by the European Commission and support the proposal to allow Member States to use higher than expected ETS revenues to ease the burden of high energy prices on consumers. In addition, we appreciate the Commission's recognition that all ad-hoc interventions must be limited in time, technically neutral and non-retroactive. This is especially true for the proposal to authorise the introduction of temporary, technology-neutral taxes on higher-than-usual profits on a national basis. Should Member States indeed see the need for such clawback mechanisms, despite their unavoidable market-distortive nature, it is important to clearly define what "excessive" means and to put in place an unambiguous calculation method for "excess profits".

As for the ongoing debate on possible fundamental market design changes, also in reference to the upcoming ACER report, it is important to remember that for more than two decades the European energy market design has been enabling free price formation, based on the equilibrium between supply and demand. Marginal pricing, together with European cross-border integration via market coupling, ensures cost minimisation for end-consumers by drawing first on the cheapest sources of electricity production. Furthermore, marginal pricing brings significant benefits to end-consumers by enabling transparency of the day-ahead price signal that is used in the long-term (forward) markets to help absorb short-term price shocks. In addition, marginal pricing improves the viability of existing and future investments into low-carbon technologies without any further state-backed support, enabling the market-based recovery of investment costs. Calls to review alternative electricity pricing mechanisms must be weighed carefully to determine whether they would add value.

Finally, we call on the European Commission to ensure that any support measures designed to help consumers through this unprecedented situation do not put at risk the successes and efficiency of the existing market design. Improvements should be compatible across all EU Member States and done through further strengthening market price signals, for instance, by reducing state-induced price intervening components and distortions introduced by regulated retail prices. The European energy market design, the result of decades of work and reflection, needs to further evolve and adapt but must not be undermined by a hasty revolution.

About

Europex is a not-for-profit association of European energy exchanges with 30 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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