



– Position paper –

Energy price surge: EU Member States must preserve the benefits of the Internal Energy Market while safeguarding consumers

Brussels, 7 October 2021 | Energy prices have increased globally, including in Europe, due to a combination of fundamental supply and demand factors, including among others:

- Increased global energy demand (including for natural gas, LNG, electricity, coal and oil) due to the economic recovery following the COVID-19 pandemic;
- An unusually cold and long winter season in the northern hemisphere, and, hence, low gas storage levels across Europe;
- Relatively low intermittent RES-electricity production and low hydro power reserve levels due to unfavourable weather conditions in the summer.

In reaction to this, some EU Member States have put in place or are considering temporary national measures and suggest various fundamental reforms to the design of European wholesale energy markets. Although mindful of the distressing situation consumers and businesses are in, Europex is concerned that some measures may fundamentally damage the competitiveness and efficiency of the Internal Energy Market and ultimately undermine its economic principles and related benefits. We therefore support the European Commission's effort to put forward a package of measures to help protect vulnerable consumers and businesses, which is compatible with the principles of the Internal Energy Market. These principles include free price formation based on supply and demand in European wholesale energy markets and unhindered cross-border trade between Member States.

Competition in the energy market helps to allocate resources efficiently and drives costs down

The design of the Internal Energy Market, a cornerstone of the European integration project, is the result of decades-long elaboration and constant dialogue between policymakers, regulators, system operators, energy exchanges and market stakeholders. Competitive energy markets in Europe continue to ensure the most efficient use of production resources, interconnector capacities and demand-side flexibility to meet demand in a system secure way. Price signals from these markets are important to ensure a continued accurate reflection of the current and expected future status of the energy system, including the actual demand and supply situation, and provide the required incentives for market participants to act efficiently.

Member States' measures must safeguard both consumers and the benefits of the Internal Energy Market

In order to cope with the current situation, Member States should seek tools that protect consumers while still maintaining the efficiency and welfare benefits of an integrated European wholesale energy market. Adjustments to energy taxes, social security measures or immediate relief from State budgets are examples of non-distortive tools allowed by EU legislation.

Short-term interventionist measures, such as wholesale or retail price caps or technology-specific charges, on the other hand, hamper the ability of the energy market to deliver an efficient and secure supply/demand balance in the spot market. In the long-term, these interventions can harm not only suppliers and investors but also the consumers by reducing the positive welfare and climate protective outcome of integrated European energy markets.

Furthermore, we would like to emphasise the need for a predictable, stable and harmonised EU regulatory framework to help accelerate investment in renewables and to implement the European Green Deal. Any fragmented national measures will undermine this development. The overall goal of decarbonisation at least cost and a successful energy transition can only be achieved through well-functioning, integrated energy markets.

We therefore support the European Commission's effort to put forward measures as part of a "toolbox" that allows Member States to take action in a coordinated way without distorting or damaging the efficiency and welfare benefits of the Internal Energy Market.

About

Europex is a not-for-profit association of European energy exchanges with 29 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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