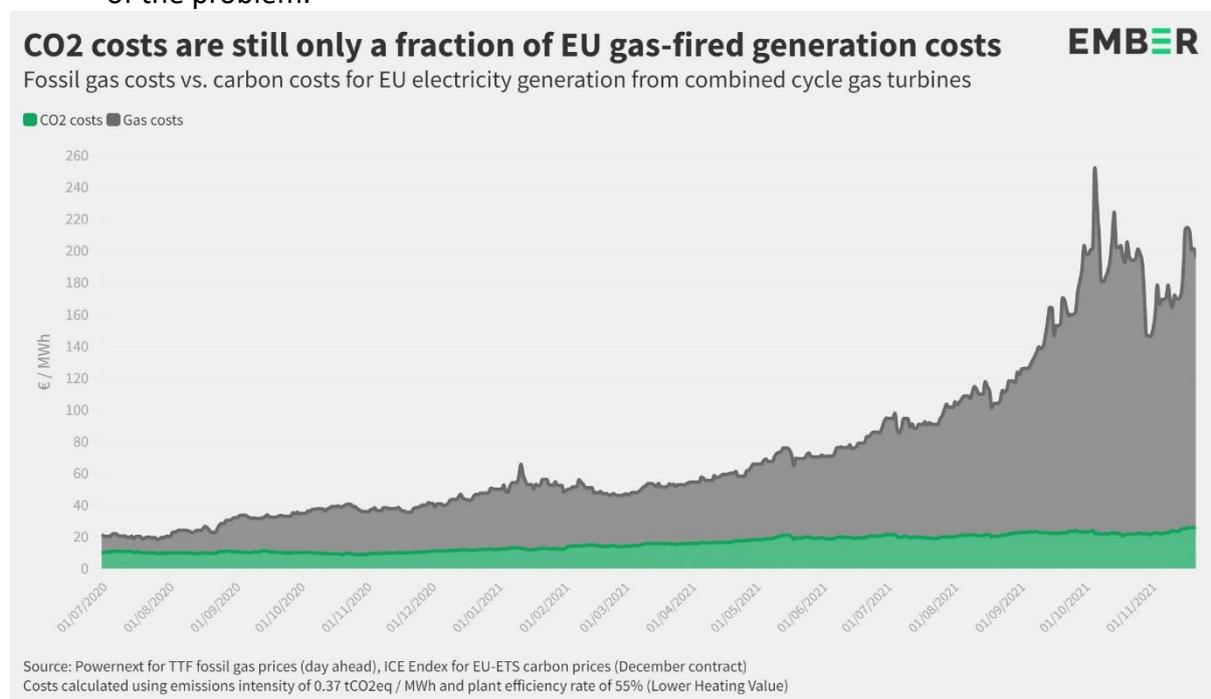


4 Point Plan against High Energy Prices

High-energy prices are a real challenge for European citizens and European industry. We need to address the legitimate concern of people while at the same time taking the right decisions to overcome the cause of this problem in the foreseeable future. According to many experts I spoke to, 90% of the cause of the high energy prices is due to scarcity of fossil fuels and (manipulative) market behaviour of suppliers of fossil fuels. Even the increase of the ETS price is linked to that factor and not the other way round. That's why to really address the problem, the right measures have to be taken. I suggest to implement as fast as possible the following actions.

1. **Speed up investments in renewables and energy efficiency to be less dependent from fossil fuels.** The main cause of the current price increase is the scarcity of fossil fuels. It is very clear, that the gas price increased much more than the price of any other form of energy. According to Financial Times, wholesale European gas prices are up more than 800 per cent in 2021¹. In contrast, ETS prices although reaching a new record high of about €90 per tonne of carbon, only tripled². Also the price of oil is increasing but not as drastically. The high gas price is the main driver of the increase in electricity prices. A very good analysis by MEP Andrius Kubilius, former Prime Minister of Lithuania, shows how Russia manipulates the market and deliberately increases the price of gas³. That's why the main answer to the high energy prices should be to strengthen the use of renewable energies and energy efficiency. The Green Deal and the Fit for 55 package is the answer to the problem and not the cause of the problem.



¹ <https://www.ft.com/content/a0bc7996-ab5d-465b-aab4-90472e088af7>.

² <https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220108~0425a24eb7.en.html>.

³ https://lithuaniatribune.com/gazprom-and-green-deal-who-will-win-gazprom-is-manipulating-the-deliveries-of-gas-to-european-markets-why/?fbclid=IwAR0fdpacmqWIFiSQFvC94qxl7EGFLkKQUdJ9DnYDp_Gz4VVEtX2yvJI5O-U.

- 2. Reduce taxes and fees, especially on renewable electricity.** A targeted reduction of taxes and fees on energy is necessary to help citizens especially low-income families and companies especially SMEs. Any reduction of taxes and fees on fossil fuels should be temporary and targeted. In contrast to that, taxes and fees on electricity especially renewable electricity should be reduced drastically immediately and permanently. If we want to decarbonise, we need to make electricity, especially renewable electricity, more affordable. People that go for an electric vehicle or a heat pump, shouldn't be punished by high electricity prices. Reducing costs and helping those in need, is good for the transition in this area. From tomorrow on, the revenues of the ETS should be used at full scale to support citizens in their transition. It is unacceptable that Italy only used 28 % of ETS revenues on climate and Poland only 51%⁴.



- 3. Stop over-ambition in the ETS and keep the Commission proposal.** We shouldn't increase ambition in ETS1 more than suggested by the European Commission. As part of the Fit for 55 Package, the Commission has suggested a substantial increase of ambition in ETS 1 and this is necessary to reach our targets. To a small extent, however, this has also contributed to a price increase even if it is not yet implemented because market participants know that ambitions will rise. If we add even more ambition to this scheme, that will have an immediate price effect, because certificates that are bought now, can be used in the future: not only in medium but also in long-term. In contrast to that, ETS2 will only come into effect in 2025, 2026 or 2027.

⁴ WWF (2021): Fit for 2030. Making EU ETS Revenues Work for Climate and People. https://wwfeu.awsassets.panda.org/downloads/making_eu_ets_revenues_work_for_people_and_climate_summary_report_june_2021_2.pdf

Consequently, the introduction of an ETS2 has no effect on the energy prices in the next three or four years.

4. **Engage for more transparency in the ETS and a review of Article 29 that helps against a too sharp price increase.** It is unfair to blame the EU ETS for the price increase because it's mainly the increased price of fossil fuels and the scarcity of gas even drive the ETS price. Because gas is expensive and scarce, it is profitable to switch to coal under the high energy prices. In this way, more coal is used and this leads to a higher demand for certificates as burning coal produces more CO₂. However, even if the increasing prices of the EU ETS is a very small part of the problem, the effect of the ETS needs to be assessed carefully. The system desperately needs more transparency. As rapporteur on ETS, I will suggest an amendment asking the Commission to introduce a transparency mechanism as soon as possible after the release of the expected report by ESMA in March. I will also propose to strengthen Article 29 to give more options to react in cases of sharp price increases like currently observed.