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REPORT

From:	General Secretariat of the Council
To:	Council
Subject:	Proposal for a COUNCIL REGULATION on coordinated demand reduction measures for gas

1. INTRODUCTION

1. On 30 and 31 May 2022 the European Council called for improvement of the gas markets, in particular through coordinated European contingency plan, which should ensure that major supply disruptions are mitigated.
2. On 20 July 2022 the Commission presented the proposal for a Council Regulation on coordinated demand reduction measures for gas as a part of the Communication from the Commission “Save gas for a safe winter“. This proposal is based on Article 122 of the Treaty on the Functioning of the European Union (TFEU) and proposes to set a target for all Member States to reduce gas demand by 15% between 1 August 2022 and 31 March 2023.

2. STATE OF PLAY

3. The Presidency, having taken into account major concerns of the Member States, proposed the REV1 document for the first exchange of views at the Coreper meeting on 22 July. This was followed by REV2 which has reflected comments raised by the Member States and was submitted for discussion at the Coreper meeting on 25 July.
4. The main remaining issue among Member States was the reflection of national specificities. It was generally agreed that in order to reinforce the principle of solidarity and to send a strong political signal of unity, Member States should be able to support balanced ambition of the Regulation at the TTE Energy Council on 26 July. Several Member States, however, announced reservations considering a mandatory demand reduction target too high. They pointed out the issue of the dependence on gas for heating of households and the need to take into consideration protected customers. They also stressed the need to reflect any demand reduction already achieved.
5. Therefore, in view of achieving the political agreement, the Presidency has reviewed and carefully assessed all the proposals of the Member States and presents now the revised text in the Annex to this note ahead of the TTE Energy Council on Tuesday 26 July.
6. In Recital 2, the reference to further measures on the supply side has been amended to reflect the agreed language on safe and sustainable low-carbon sources. The addition to Recital 7 has been aligned with the wording of the European Council conclusions from May 2022.
7. Recital 11 refers now to a “decision” rather than an “act” and a text has been added that highlights and clarifies the role of the Council in triggering the Union-wide demand reduction obligation.
8. Part of the wording of Recitals 12 and 13 has been changed to reflect that some Member States are exempted from obligations referred to in Article 5, paragraph 2.
9. New Recital 12a has been added to clarify that 'early effort' will be reflected.

10. Recital 14 has been amended to clarify the situation of the Member States that are not synchronised with the European electricity system, to make clear that it is possible to rely on one or more flexibilities in Article 5 and to underline the importance to remove interconnection deficits.
11. New Recital 14aa has been added referring to the need for strengthening of cross-border interconnections to ensure the functioning the energy internal market in line with the objectives of Regulation EU 2022/869.
12. Recital 14b has been aligned with changes in Article 5.
13. Recital 23 specifies, that after 9 months of application of this Regulation, the Commission should report on its functioning to the Council.
14. In Article 2, the definition of "gas consumption" has been amended, and new definitions for "feedstock", "reference gas consumption", "reference period" and "filling target" have been introduced.
15. In Article 4 the verb "adopting" was deleted. The Article 4 now refers to implementing decision instead of act.
16. In Article 5:
 - Part of the paragraph 2 has been moved to the Article 2.
 - Several wording changes have been made to reflect new definitions and that the limitations to reference gas consumption do not have to be requested by the Member States.
 - Para 2e specifies that the Member States may request to decrease the mandatory demand reduction by 8 percentage points, provided, that they demonstrate that their interconnection to their yearly consumption in 2021 is below 50 % and that their export interconnect has been used at a level of at least 90 % for at least one month unless they can show there was no demand. This derogation clearly reflects specificities of Member States with interconnection capacity issue and their limited means of providing supplies to other Member States.

- Paragraph 2j has been introduced to reflect flexibilities in case the Member States may be facing electricity crisis.
 - Paragraphs 2k to 2n have been introduced to define the notification and monitoring procedures for the flexibilities in Article 5.
 - Paragraph 7 has been changed to highlight that existing long-term contracts should be considered by measures in this Regulation.
17. In Article 6, the reference to “protected customers” was reintroduced and broadened.
18. Date for a review of this Regulation in Article 8a has been amended to 1 May 2023.
19. Several other wording changes have been made throughout the text as to improve legal clarity.
20. New text is ***bold italics underlined*** deletions are ~~***bold italics strikethrough***~~. Other markings are from REV1 and REV2.

3. **CONCLUSION**

In light of the above, the Council is invited to examine the Presidency compromise text as set out in the Annex to this Note, discuss any outstanding issues raised by the delegations and reach a political agreement on this Council Regulation, and to decide to authorise the use of written procedure in order to adopt this Regulation.

2022/0225 (NLE)

Proposal for a

COUNCIL REGULATION

on coordinated demand reduction measures for gas

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 122(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The Russian Federation, the Union's main external gas supplier, has started a military aggression against Ukraine, a Contracting Party of the Energy Community. The escalation of the Russian military aggression against Ukraine since February 2022 has led to gas supplies declining markedly, in a deliberate attempt to use gas as a political weapon. Pipeline flows of gas from Russia through Belarus have stopped and supplies through Ukraine have steadily decreased. Overall flows from Russia are now less than 30% of the average of 2016-2021. This supply reduction has led to historically high and volatile energy prices, contributing to inflation and creating a risk of further economic downturn in Europe.

- (2) Against this background, the Union has developed the REPowerEU Plan on 18 May 2022¹ with the aim to end the Union's dependence on Russian fossil fuels, as soon as possible and at the latest by 2027. To achieve this, the REPowerEU Plan sets out measures related to energy savings and energy efficiency and proposes an accelerated roll-out of clean energy to replace fossil fuels in homes, industry and power generation. *Further measures on the supply side may include, inter alia, a better coordination of gas purchases, and the facilitation of joint purchases by European gas market operators on the international gas market, as well as ~~a~~ best efforts to preserve all electricity production capacities that do not rely on imported gas supplies, in-particular such as safe and sustainable low-carbon technologies contributing to decarbonisation in particular from renewable sources.~~renewable and low-carbon electricity production capacities.~~*
- (3) The Union has taken further measures to increase its preparedness against gas supply disruptions. Regulation (EU) 2022/1032 of the European Parliament and of the Council² was adopted to ensure the filling of underground storage sites for the coming winter.
- (4) Furthermore, in February 2022 and in May 2022 the Commission carried out in-depth reviews of all national emergency plans and has also carried out in-depth monitoring of the security of supply situation. The measures taken since February 2022 were designed to be able to fully phase-out from Russian gas by 2027, and to reduce the risks stemming from a further major supply disruption.

¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions REPowerEU Plan (COM/2022/230 final).

² Regulation (EU) 2022/1032 of the European Parliament and of the Council^[1] of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage (OJ L 173, 30.6.2022, p. 17).

- (5) However, the recent escalation of disruptions of gas supply from Russia points to a significant risk that a complete halt of Russian gas supplies may materialise in the near future, in an abrupt and unilateral way. The Union should therefore anticipate such a risk and prepare, in a spirit of solidarity, for the possibility of a full disruption of gas supplies from Russia, at any moment. Immediate proactive action is necessary to anticipate further disruptive actions and strengthen the resilience of the Union to future shocks. Coordinated action at Union level can avoid serious harm to the economy and citizens resulting from a possible gas supply interruption,
- (6) The current legal framework for security of gas supply set by Regulation (EU) 2017/1938¹ does not adequately address disruptions of a major gas supplier of more than 30 days. The missing legal framework for such disruptions leads to a risk of uncoordinated action by Member States, which threatens to endanger security of supply in neighbouring Member States and may put additional burden on the Union's industry and consumers.

¹ Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010.

- (7) In its resolution of 7 April 2022 on the conclusions of the European Council meeting of 24-25 March 2022, the European Parliament called for a plan to continue ensuring the Union's security of energy supply in the short-term to be presented. In its meetings on 31 May and 23 June 2022, the European Council requested the Commission to make proposals for improving preparedness for possible major supply disruptions as a matter of urgency with a view to securing energy supply at affordable prices. ~~Following the request from the European Council, the Commission is also assessing possibilities to introduce price caps for gas or electricity and to improve the current electricity market design to the benefit of consumers and industry but without endangering security of supply~~ Following the request from the European Council, the Commission is also exploring together with our international partners ways to curb rising energy prices, including the feasibility of introducing temporary import price caps where appropriate and pursuing work on the optimisation of the functioning of the European electricity market - including the effect of gas prices on it - so that it is better prepared to withstand future excessive price volatility, delivers affordable electricity and fully fits a decarbonised energy system, while preserving the integrity of the Single Market, maintaining incentives for the green transition, preserving the security of supply and avoiding disproportionate budgetary costs.
- (8) Article 122(1) of the Treaty on the Functioning of the European Union allows the Council to decide, on a proposal from the Commission and in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy. The risk of a complete halt of Russian gas supplies by the end of this year as described above constitutes such a situation.
- (9) Given the imminent risk of disruption of gas supplies to the Union, Member States should take measures now to reduce their demand ahead of the winter season. Such voluntary demand reduction would contribute notably to the filling of storage capacities, which would not be depleted at the end of the winter, allowing to cope with possible cold spells in February and March of 2023 and facilitating the filling of storages to ensure adequate levels of security of supply for the winter 2023-2024. Reducing demand for gas will also help ensure adequate supply and drive prices down, to the benefit of the Union consumers. Therefore, measures taken at Union level to reduce demand would benefit all Member States by decreasing the risk of a more substantial impact on their economies.

- (10) The amount of the ~~recommended~~ **voluntary** demand reduction ~~should~~ **takes into account** ~~consider~~ the volumes of gas demand which would be at risk of non-delivery in case of a full disruption of Russian gas supplies. The volume of the reduction should be **the same for** ~~distributed amongst~~ all Member States, based on a comparison with their average consumption over the last 5 years.
- (11) In order to promptly address the specific challenges of the ongoing and anticipated severe worsening of gas supply shortages and avoid distortions between Member States, the ~~Commission~~ **Council** ~~should be empowered~~ **may, on a proposal from the Commission, by means of an implementing act decision** ~~to declare~~ **a Union alert. *Conferring an implementing power to the Council adequately takes into account the political nature of the decision to trigger a mandatory Union-wide demand reduction obligation and its horizontal implications for Member States. Before presenting a proposal, the Commission should consult,*** after consultation of the relevant risk groups and the Gas Coordination Group ('GCG'), established under Regulation (EU) 2017/1938, ~~and taking into account any views expressed by the Member States in that context, a~~ **A** Union alert **should only be issued**, in case the voluntary demand reduction measures prove to be insufficient to address the risk of a serious supply shortage. ~~Three~~ **Five** or more competent authorities of Member States which have declared nation alerts should be given the possibility to request the Commission **to present a proposal to the Council** to declare a Union alert.

(12) The Union alert should serve as a Union-specific crisis level, which should trigger mandatory demand reduction, **independently of**. ~~It should not have a legal impact on the national crisis levels pursuant to Article 11(1) of Regulation (EU) 2017/1938. Voluntary measures may not by themselves be sufficient to ensure security of supply and market functioning. Therefore, a new instrument introducing the possibility for a mandatory gas demand reduction for all Member States should be established. It should become operational sufficiently in advance of the autumn. Once a Union alert has been declared, ~~all~~ Member States should ~~be obliged to~~ reduce their gas consumption within a pre-defined period. The ~~volume~~ amount of the necessary **mandatory** demand reduction ~~volumes~~ should consider **takes into account** the volumes of gas demand which could be at risk in **the** case of a full disruption of Russian gas supplies and should fully take into account ~~voluntary~~ **any** demand reduction already achieved ~~during the same period~~. The volume of the reduction can be distributed amongst all Member States, based on a comparison with their average consumption over the last 5 years. The volume ~~and the duration~~ of the mandatory demand reduction obligation should also take into account the level of storage filling as reported pursuant to Article 6(d)(1) of Regulation (EU) 2017/1938, the development concerning the diversification of sources of gas, including LNG supplies and the development of fuel substitutability in the Union.~~

12a. Demand reductions achieved by Member States before the Union alert is declared will be reflected in the volume of the mandatory demand reduction.

- (13) ~~With a~~ **In** view ~~of to~~ the significant distortions of the internal market which are likely to occur if Member States react in an uncoordinated manner to a potential or actual further Russian supply disruption, it is crucial that all Member States reduce their gas demand in a spirit of solidarity. All Member States should therefore achieve the ~~same~~ voluntary and mandatory reduction targets. While some Member States may be more exposed to the effects of a disruption of Russian supplies, all Member States ~~will~~ **can** be negatively affected and can contribute to **limiting** the economic harm of such disruption, be it by freeing up additional volumes of pipeline gas or LNG cargoes which can be used by Member States with significant gas deficits, be it by the positive effect on gas prices which a demand reduction is likely to have, be it by avoiding market distortions through uncoordinated and contradicting demand reduction measures. This Regulation therefore reflects the principle of energy solidarity, which has recently been confirmed by the Court of Justice as a fundamental principle of EU law¹.
- (14) However, certain Member States are, due **to** their specific geographical or physical situation, such as ~~an actual or potential high dependency on the production of electricity from gas and lack of synchronisation not being synchronised with the European electricity system, or the lack of direct interconnection to the gas interconnected system of another Member State missing or low pipeline interconnection to other Member States~~, not able to free up significant volumes of pipeline gas to the benefit of other Member States. ~~Those Member States~~ should therefore be given a possibility to **rely on ask for a partial one or more grounds to limit derogations from** the mandatory demand reduction obligation. **The concerned Member States should commit to making all efforts to remove the interconnection deficits as soon as possible.** ~~The Commission, when verifying the conditions for the application of the derogation, should take into account if the respective Member State makes full use of its gas interconnectors and uses its LNG facilities to re-direct gas to other Member States to the utmost extent, in a spirit of solidarity. The Commission should also monitor the total gas consumption as well as the use of interconnectors and LNG facilities.~~

¹ Judgment in Case C-848/19 P (Germany v Poland).

(14aa) Regulation (EU) No 347/2013 puts in place a framework for Member States and relevant stakeholders to work together in a regional setting to develop better-connected energy networks with the aim, notably, to connect regions currently isolated from European energy markets and strengthen existing and promote new cross-border interconnections. Cross-border interconnections strongly contributes to the security of supply. In the light of the current disruption of gas supply from Russia, such cross-border interconnections play a key role to ensure the functioning of the energy internal market and to distribute gas to other Member States, in a spirit of solidarity. In this context, Member States must pursue their efforts to improve the integration of their networks, including by assessing the potential increase of new cross-border interconnection capacity in line with the objectives of Regulation (EU) 2022/ 869.

(14a) *In order to facilitate Member States' effort to fulfil the objectives of Regulation Regulation (EU) 2022/1032 with regard to gas storage, the volume of gas used by Member States for storage in excess of the intermediate target for 1 August 2022 should also be taken into account for the purpose of determining the rate of their mandatory demand reduction.*

(14b) *In addition, to take proper account of the high dependency on gas of Member States' critical industries, the Member States should be able to exclude request that gas consumption in these industries is not taken into account in when determining the volume of their mandatory demand reduction. Commission monitoring should ensure national limitations do not lead to undue distortions of the internal market. Member States should also be able to limit request the adaptation of their rate of mandatory demand reduction where this is necessary to maximise the supply of gas to other Member States and they are able to produce evidence that their interconnector commercial export capacities to other Member States or their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent. The Commission should monitor that the conditions for the application of those derogations are fulfilled.*

- (15) Member States should be free to choose the appropriate measures to reach the ~~mandatory~~ demand reduction. When identifying appropriate demand reduction measures and prioritising customers groups, Member States should **consider** making use of the measures identified in the Communication “Save Gas for a Safe Winter” of 20 July 2022. Member States should in particular consider economically efficient measures such as auctions or tender schemes, by which Member States can incentivise a reduction of consumption in an economically efficient manner. The measures taken at national level may also include financial incentives or compensations to market participants affected.
- (16) Any measure taken by Member States to reach the ~~mandatory~~ demand reduction **must comply with Union law and in particular Regulation (EU) 2017/1938. In particular, such measures** should be necessary, clearly defined, transparent, proportionate, non-discriminatory and verifiable, and should not unduly distort competition or the proper functioning of the internal market in gas or endanger the security of gas supply of other Member States or of the Union. ~~Given that non-market based measures, such as those mentioned in Annex VIII to Regulation (EU) 2017/1938, can be particularly damaging to the security of gas supply and the internal market, Member States should in principle rely on market-based mechanisms.~~ It is also necessary to consider the interest of protected customers ~~to be guaranteed uninterrupted supplies of gas.~~
- (17) In order to ensure that demand-reduction measures are implemented in a coordinated manner, Member States should establish regular cooperation within each risk group as established in Annex I of Regulation (EU) 2017/1938. Member States are free to agree on the coordination measures best suited in a given region. The Commission and the ‘GCG’ should be able to have an overview of the national measures implemented by the Member States and share best practices for the coordination of measures within the risk groups. Member States should also use other bodies to coordinate their action ~~where appropriate, such as in meetings of the Director-Generals of national energy ministries.~~

- (18) In order to ensure that the national emergency plans reflect the voluntary or mandatory demand reduction set out in this Regulation, the competent authority of each Member State should take the necessary steps to update the national emergency plan **referred to in Article 11 of Regulation (EU) 2017/1938** by ~~30 September~~ **31 October** 2022. ~~The update of the national emergency plan should indicate how the measures proposed in the Communication “Save Gas for a Safe Winter” of 20 July 2022 have been used.~~ Given the short timeframe for the update, the coordination procedures pursuant to Article 8(6) to (11) **of Regulation (EU) 2017/1938** should not apply. However, Member States should consult other Member States on the update of the emergency plans. The Commission should convene the GCG, the risk groups or other relevant bodies to discuss potential issues related to demand reduction measures.
- (19) Regular and effective monitoring and reporting are essential for the assessment of progress made by the Member States in the implementation of the voluntary and mandatory demand reduction measures, and for measuring the social and economic impact of the measures as well as the impact on employment. The competent authority of each Member State or another entity designated by the Member State should monitor the demand-reduction achieved on their territory and regularly report the results to the Commission . The GCG should assist the Commission in the monitoring of the demand-reduction obligations.
- (20) To prevent significant economic harm ~~for~~ **to** the Union as a whole, it is crucial that each single Member State reduces its demand in the alert phase. This will ensure that gas is sufficient for all, even in winter-times. The demand reduction across the Union is ~~therefore~~ an expression of the principle of solidarity, enshrined in the Treaty. It is therefore ~~also~~ warranted that the Commission supervises strictly that the mandatory demand reductions are carried out by Member States. In case the Commission identifies a risk that a Member State may not be able to fulfil the mandatory demand reduction obligation pursuant to Article 5, the Commission should ~~have the power to~~ **be able to** request the Member State to submit a plan setting out the strategy and measures to effectively reach the mandatory demand reduction obligation. The Member State should take due account of any comments and suggestions of the Commission to the plan.

- (20a)** As the solidarity principle gives every Member State the right to be supported by neighbouring Member States under certain circumstances, Member States who may ask for such support should also act in a spirit of solidarity when it comes to reducing their domestic gas demand. Therefore, when requesting a solidarity measure under Article 13 of Regulation (EU) 2017/1938, Member States should have implemented all appropriate gas demand reduction measures. The Commission should be ~~empowered~~ able to request the Member State requesting a solidarity measure to submit a plan with measures to achieve possible further gas demand reductions. Due account should be taken of any comments the Commission may provide on this plan.
- (21) The Commission should inform the European Parliament and the Council regularly about the implementation of this Regulation.
- (22) Considering the imminent danger for the security of gas supply brought about by the Russian military aggression against Ukraine, this Regulation should enter into force **as a matter of urgency** ~~on the day following that of its publication.~~
- (23) ***Given the exceptional nature of the measures set out in this Regulation,*** ~~*Based on the information available, the risk of serious disruption of gas supplies to the Union is likely to be present for at least the next two winter seasons. Therefore,*~~ this Regulation should **apply for the period of** be valid for ~~two~~ **one** years after its entry into force. ~~*At the end of the first year*~~ **After [...] 9 months** of application of this Regulation, the Commission should report on its functioning to the Council and **may**, if appropriate, propose to prolong its validity.
- (24) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but rather at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective.

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

This Regulation establishes rules to address a situation of severe difficulties in the supply of gas, with a view to safeguarding the EU security of gas supply, in a spirit of solidarity. These provisions include improved coordination, monitoring and reporting on national gas demand reduction measures and the possibility for the ~~Commission~~ **Council** to declare, on a proposal from the **Commission**, a Union alert as a specific crisis level, triggering a ~~compulsory~~ **mandatory** Union-wide demand reduction obligation.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘competent authority’ means a national governmental authority or a national regulatory authority designated by a Member State to ensure the implementation of the measures provided for in Regulation (EU) 2017/1938.
- (2) “Union alert” means a Union-specific crisis level triggering a mandatory demand reduction and which is not related to any of the crisis levels pursuant to Article 11(1) of Regulation (EU) 2017/1938.
- (3) **‘gas consumption’ means the overall supply of natural gas for activities on the territory of a Member State, including the final consumption of households, industry and electricity generation, but excluding, inter alia, gas used to fill storages, in line with the definition for “Supply, transformation and consumption of gas” used by Eurostat.**
~~inland consumption of natural gas of households, industry and electricity generation, not including gas for storage purposes and exports [to be further refined in line with the Eurostat definition]~~

- (4) 'feedstock' means non-energy use of natural gas as referred to in the "Energy Balances" of Eurostat.
- (5) 'reference gas consumption' means the volume of Member State's average gas consumption during the reference period; for Member States where the gas consumption increased at least by 8% between 1 August 2021 and 31 March 2022 compared to the average gas consumption during the reference period, reference gas consumption means only the volume of gas consumption between 1 August 2021 and 31 March 2022.
- (6) 'reference period' means the periods between 1 August and 31 March during the five consecutive years preceding the date of entry into force of this Regulation, starting with the period between 1 August 2017 to 31 March 2018.
- (7) 'filling target' means intermediate target as defined in Article 2(17) of Regulation (EU) 2017/1938.

Article 3

Voluntary demand reduction

Member States shall use their best efforts to reduce their national gas consumption between 1 August 2022 and 31 March 2023 at least by 15% compared to their average **gas** consumption between 1 August and 31 March during the five years preceding the entry into force of this Regulation ('voluntary demand reduction'). Articles 6, 7 and 8 shall apply to those voluntary demand reduction measures.

Article 4

Declaration of a Union alert by the ~~Commission~~ Council

1. The ~~Commission~~ **Council, on a proposal from the Commission, by means of adopting an implementing act decision**, may declare a Union alert, ~~only when~~
- 1a. The Commission shall present the proposal for such an Union alert when it considers, that** there is a substantial risk of a severe gas supply shortage or an exceptionally high demand of gas occurs, for which the measures in Article 3, ~~as reported on in accordance with ing to Article 8~~, are not sufficient, and which results in a significant deterioration of the gas supply situation in the Union, but where the market is still able to manage that disruption without the need to resort to non-market based measures.
- 1ab. The Commission shall also submit a proposal to the Council to declare a Union alert where five or more competent authorities that have declared an alert at national level pursuant to Article 11(1) of Regulation (EU) 2017/1938 so request.**
- 1b. The Council, acting by a qualified majority, may amend the Commission's proposal.**
2. **Before submitting a proposal to the Council to declare a Union alert, t**The Commission ~~may~~**shall**, after consultation of the relevant risk groups, as established in Annex I of Regulation (EU) 2017/1938 and the GCG, ~~taking into account any views expressed by the Member States in that context, declare the Union alert on its own initiative or following a the request of at least three competent authorities that have declared an alert at national level pursuant to Article 11(1) of Regulation (EU) 2017/1938, or on its own initiative.~~

3. ~~The Council, or~~ On a proposal from the Commission, the Council may, by means of an implementing act decision, may declare an end to the Union alert and to the obligations pursuant to Article 5. The Commission shall present the proposal for such implementing act decision to the Council when it ~~When the Commission considers,~~ following an assessment, that the underlying basis for the Union alert no longer justifies the maintenance ~~declaration~~ of a Union alert, ~~it shall~~ and, after consultation of the relevant risk groups, as established in Annex I to Regulation (EU) 2017/1938 and the GCG, ~~taking into account any views expressed by the Member States in that context,~~ declare an end to the Union alert and to the obligations pursuant to Article 5.

Article 5

Mandatory demand reduction in case of a Union alert

1. Where the ~~Commission~~ Council declares a Union alert, each Member State shall reduce its natural gas consumption in accordance with ~~the methodology set out in~~ paragraph 2 ('mandatory demand reduction').
2. For the purpose of mandatory demand reduction, for as long as the Union alert is declared, ~~overall gas~~ consumption of natural gas in each Member State over a period from 1 August 2022 of each year until 31 March 2023 of the following year ('implementation reduction period') shall be reduced by at least 15% lower compared to the reference gas consumption that Member State's average gas consumption over the period between 1 August and 31 March ('comparison period') during the five consecutive years preceding the date of entry into force of this Regulation ('comparison period') or, alternatively, 15% lower compared to that Member State's gas consumption in the period from 1 August 2021 to 31 March 2022 where that Member State has at least 8% increase in gas consumption in that period compared to the average of the comparison period. Any ~~voluntary~~ demand reductions achieved by Member States during the implementation reduction period before the Union alert was declared shall be taken into account for the purpose of the mandatory demand reduction.

- 2a.** A Member State whose electricity system is synchronised only with the electricity system of a third country shall ~~not have to~~ be exempted from applying paragraph 2 in the event it is desynchronised from that third country's system for as long as ~~that Member State is required to provide~~ isolated power system service or other services to the power transmission system operator are required to ensure the safe and reliable operation of the power system.
- 2b.** A Member State shall be exempted from applying paragraph 2 for as long as that Member State is not directly interconnected to a gas interconnected system of any other Member State.
- 2c.** Member States may request to ~~limit decrease~~ the ~~average reference~~ gas consumption ~~over the comparison period~~ used for calculation of the mandatory demand reduction target pursuant to paragraph 2 by the volume of gas equal to the difference between their ~~intermediate-filling~~ target for 1 August 2022 as indicated in Annex Ia of the Regulation 2017/1938 and the actual volume of stored gas on 1 August 2022, if they fulfil the intermediate target on ~~this~~ that date.
- 2d.** Member States may request to ~~limit decrease~~ the ~~average reference~~ gas consumption ~~over the comparison period~~ used for calculation of the mandatory demand reduction target pursuant to paragraph 2 by the volume of gas consumed ~~over the same period during the reference period as a feedstock in critical industries such as chemical and petrochemical industry, iron and steel industry, glass making, ceramics and non-metallic mineral products industry.~~

2e. Member States may limit the mandatory demand reduction by 8 percentage points, provided that they demonstrate that their interconnection with other Member States in firm technical export capacity compared to their yearly gas consumption in 2021 is below 50 percent and that capacity on interconnectors to other Member States has actually been used for the transport of gas at a level of at least 90% for at least one month before the notification of the derogation unless member states can show there was no demand and the capacity was maximized, and their domestic LNG facilities are commercially and technically ready to re-direct gas to other Member States up to the volumes required by the market.

~~Subject to commitment to increase the cross-border interconnection capacity Member States may request to decrease the mandatory demand reduction pursuant to paragraph 2 by a maximum of [X] percentage points, provided that they can demonstrate by submitting appropriate evidence that their export capacities on interconnectors to other Member States has actually been used for the transport of gas at a level of at least [X%] for at least two months before the granting of the derogation, and that their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent.~~

2f. ~~Before deciding on the request for a reduced mandatory demand reduction pursuant to paragraph 2e, 2d or 2e, the Commission shall consult the GCG, the risk groups and, as appropriate, other relevant bodies.~~

2g. ~~The request pursuant to paragraph 2e, 2d or 2e shall be made not later than 14 days after the Council has declared a Union alert pursuant to Article 4 paragraph 1. The Commission shall decide on the request no later than 20 days after the receipt request.~~

2h. ~~The Commission shall continuously monitor whether the conditions for a derogation pursuant to paragraphs 2a to 2e are fulfilled.~~

2i. ~~Where the conditions for the derogations in paragraph 2d or 2e are no longer fulfilled, the Commission, after consultation with the respective Member State, the GCG, the risk groups and, as appropriate, other relevant bodies, shall withdraw the derogation without undue delay.~~

- 2j. A Member State facing an electricity crisis may temporarily limit the mandatory demand reduction pursuant to paragraph 2 to the level necessary to mitigate the risk for electricity of supply if there are no other economic alternatives to replace the gas necessary for producing electricity without seriously endangering security of supply. In that case, the Member State shall notify the reasons for the limitation and provide sufficient evidence for the exceptional circumstances justifying the limitation. Where necessary, the Member State shall update the risk preparedness plan pursuant to Article 10 of Regulation (EU) 2019/941.
- 2k. A Member State shall notify its decision to limit the mandatory demand reduction pursuant to paragraphs 2c, 2d, 2e and 2j to the Commission, together with the necessary evidence that the conditions for a limited mandatory demand reduction are fulfilled. The notification referred to in paragraphs 2c, 2d and 2e may already be made after the entry into force of this Regulation and shall not be made later than two weeks after a Union alert has been declared. The notification referred to in paragraph 2j may be made no later than two weeks after the situation of an electricity crisis referred to in that paragraph has arisen. The Member State shall also inform the GCG and the risk groups of its intention.
- 2l. On the basis of the notification and after consultation of the GCG and the risk groups, the Commission shall assess whether the conditions for a limitation pursuant to paragraphs 2c, 2d, 2e and 2j are fulfilled. In case the Commission finds that a limitation is not justified, it shall adopt an opinion indicating the reasons why the Member State should remove or modify the limitation of the mandatory demand reduction. The opinion shall be adopted no later than 30 working days after the complete notification pursuant to paragraph 2e.
- 2m. Where the conditions for the limitation of the mandatory demand reduction in paragraphs 2c, 2d, 2e and 2j are no longer fulfilled, the Member State shall apply the mandatory reduction target pursuant to paragraph 2.

- 2n. The Commission shall continuously monitor whether the conditions for a limitation of the mandatory demand reduction pursuant to paragraphs 2c, 2d, 2e and 2j are fulfilled.**
3. ~~Member States may request to limit the mandatory demand reduction by a maximum of 5%, provided they can demonstrate that they cannot, due to no or limited interconnection with other Member States, substantially contribute to increasing the direct or indirect supply of gas to other Member States.~~
4. ~~Member States who request a derogation from the mandatory demand reduction pursuant to paragraph 3 shall submit evidence that their interconnector capacities with other Member States or their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent.~~
5. ~~Before deciding on the request for a reduced mandatory demand reduction, the Commission shall consult the GCG, the risk groups and, as appropriate, other relevant bodies.~~
6. ~~The Commission shall decide on the request at the latest within two months after having received all the relevant information from the Member State.~~
7. Articles 6, 7 and 8 shall apply to mandatory demand reduction measures **without prejudice to existing long term contracts.**

Article 6

Measures to achieve the demand reduction

1. Member States shall be free to choose the appropriate measures to reduce demand. The measures **referred to in Articles 3 and 5** shall be clearly defined, transparent, proportionate, non-discriminatory and verifiable. When selecting the measures, Member States shall take into account the principles set out in Regulation (EU) 2017/1938. The measures shall in particular:
- (a) not unduly distort competition or the proper functioning of the internal market in gas; ~~or~~

(aa) **not** endanger the security of gas supply of other Member States or of the Union;

(b) ~~be market based;~~

(c) ~~ensure uninterrupted supply of gas to protected customers or other customer groups pursuant to~~ comply with Articles 2(5) and 7 of provisions of Regulation (EU) 2017/1938 as regards protected customers.

2. When taking demand-reduction measures, Member States ~~shall~~ **should** prioritise the measures affecting **customers other than** ~~non~~-protected customers **within the meaning of Article 2(5) of Regulation (EU) 2017/1938** ~~and may also exclude customers from such measures~~ on the basis of objective and transparent criteria which shall take into account their economic importance as well as, among others, the following elements:

(a) the impact of a disruption on supply chains that are critical for society;

(b) the possible negative impacts in other Member States, in particular on supply chains of downstream sectors that are critical for society;

(c) the potential long-lasting damage to industrial installations;

(d) the possibilities to reduce consumption and substitute products in the Union.

3. When deciding the demand-reduction measures, the Member States shall consider measures to reduce gas consumed in the electricity sector, measures to encourage fuel switch in the industry, national awareness raising campaigns, and targeted obligations to reduce heating and cooling, ~~and market based measures~~ to promote switching to other fuels and reduce consumption by industry.

Article 7

Coordination of demand reduction measures

1. To ensure appropriate coordination of voluntary and mandatory demand reduction measures pursuant to Articles 3 and 5, Member States shall cooperate with each other within each of the relevant risk groups **established in Annex I to Regulation (EU) 2017/1938**.
2. The competent authority of each Member State shall update its national emergency plan established pursuant to Article 8 of Regulation (EU) 2017/1938 by [~~31 30 September~~ **31 October** 2022] at the latest, to reflect voluntary demand reductions. Each Member State shall also update its national emergency plan, as appropriate, in **the** case of a declaration of a Union alert pursuant to Article 4. Articles 8(6) to (10) of Regulation (EU) 2017/1938 shall not apply to the updates of the national emergency plans pursuant to this paragraph.
3. Member States shall consult the Commission and the relevant risk groups before adopting the revised emergency plans. The Commission may call for meetings of the GCG and the risks groups taking into account any views expressed by the Member States in that context, to discuss issues related to national demand reduction measures.

Article 8

Monitoring and enforcement

1. The competent authority of each Member State shall monitor the implementation of the demand-reduction measures on their territory. Member States shall report on ~~the demand-reduction measures taken and~~ demand reduction achieved to the Commission every two months and not later than by the 15th of the following month. The GCG and the risk groups shall assist the Commission in the monitoring of the voluntary and mandatory demand reduction.

2. Where the Commission identifies, on the basis of the reported demand reduction figures, a risk that a Member State will not be able to fulfil the mandatory demand reduction obligation pursuant to Article 5, the Commission shall request the Member State to submit a plan setting out a strategy ~~and measures~~ to effectively reach the demand reduction obligation. The Commission shall also request a Member State requesting a solidarity measure pursuant to Article 13 of Regulation (EU) 2017/1938 to submit a plan setting out the strategy ~~and measures~~ to achieve possible further gas demand reductions, in line with Article 13(3)(b) of Regulation (EU) 2017/1938. In both cases, the Commission shall₂ issue an opinion with comments and suggestions on the submitted plans₂ of which the Member State shall take due account₂ and inform the Council of its opinion.
3. The Commission shall inform the European Parliament and the Council regularly about the implementation of this Regulation.

Article 8a

Review

By 1 ~~August~~ May 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. ~~The Commission may, b~~Based on that report, the Commission may in particular propose to prolong ~~or shorten~~ the validity of this Regulation.

Article 9

Entry into force and application

This Regulation shall enter into force on the day following that of its publication on the Official Journal of the European Union.

It shall apply for a period of ~~two~~one years from its entry into force.

~~By 1 August 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. The Commission may, based on that report, propose to prolong or shorten the validity of this Regulation.~~

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the Council

The President
