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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	High Electricity and Gas Prices – Information from the Polish delegation

Delegations will find in the Annex an information note from the Polish delegation on the above subject, to be dealt with under 'Any other business' at the Council (Environment) meeting on 6 October 2021.

ANNEX

High electricity and gas prices

- Information note from the Polish delegation -

1. Energy prices are currently soaring across the EU and putting unprecedented pressure on both energy companies and our citizens. Record-high electricity prices in Europe are the result of multiple factors: the surging prices of ETS allowances, unfavourable weather conditions (a cold winter, exceptionally low levels of wind in the spring and summer), questionable practices on the part of the dominant gas supplier to the EU, and increased demand for resources linked to the post-pandemic economic recovery.

2. We cannot allow any producer to abuse its dominant position and treat gas supplies as a tool to exert political pressure. Leaving existing pipelines and storage capacities largely unused in the midst of a supply shortage is a clear sign of market manipulation and a foretaste of what the EU can expect in the future. When faced with unfair practices and pressures, the EU must remain assertive and use all the instruments at its disposal to ensure security of supply and full compliance with EU law. Maintaining full gas storage facilities in Poland is the best example of an effective instrument to mitigate the current gas market disruption.

3. The rising energy prices have a direct impact on all citizens and come at a particularly high socio-economic cost for the most vulnerable households. This social aspect needs to be carefully considered when discussing all elements of the 'Fit for 55' package, such as the revision of the ETS (including the proposal to extend the ETS to buildings and transport, which would likely put additional pressure on the cost of living) or changes to minimum levels of energy taxation. When designing energy and climate policies, we must ensure that those policies are socially acceptable, otherwise there is a risk that they will fail.

4. While the social context clearly needs to be at the heart of our discussion on the ‘Fit for 55’ proposal, the current situation shows that vulnerability to high energy prices is a major problem that has to be tackled right now, not in a few years’ time. In order to tackle this issue, we need to adopt a two-pronged approach. On the one hand, long-term support mechanisms are necessary to prevent and reduce energy poverty among the most vulnerable groups. On the other hand, in the event of dramatic price hikes such as those being seen at present, Member States need the flexibility to introduce quick, temporary measures to protect consumers and ensure fair treatment of businesses.

5. The surge in the price of EU ETS allowances which we have been witnessing since the summer of 2020 raises concerns over a potential speculative bubble. Unpredictable emission prices, driven by speculation rather than market fundamentals, are calling into question the financial credibility of energy companies and hindering the smooth transition of their assets. We urgently need to curb the influence exerted by financial market participants over the prices of ETS allowances. Moreover, we should thoroughly reconsider the way in which the ETS is structured, to ensure that it is fair and predictable. The emission price mechanisms which we propose should help our energy companies in their green transition, not lead to their insolvency.

6. The current crisis also reveals the challenges associated with electrification and our growing reliance on renewable energy sources – challenges which we will often be facing as we move towards a low-carbon economy. We must therefore ensure a stable regulatory environment for investing in all technologies necessary for a smooth and predictable transition to a low-carbon energy system: intermittent renewable energy sources, both baseload and flexible sources of electricity generation, and promising energy storage solutions. Any energy policy tool developed at EU level – regardless of whether it concerns the mobilisation of private investment (such as the EU Sustainable Finance Taxonomy), EU funding rules or state aid regulations – must be based on the principle of technology neutrality.

7. Given the profound impact of excessive energy prices on our economies and the clean energy transition across all sectors, Poland calls for an urgent discussion on the challenges presented by energy prices at European Council level.