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PROPOSAL

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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2023/0444 (NLE)

Proposal for a

COUNCIL REGULATION

amending Regulation (EU) 2022/2576 as regards the prolongation of its period of application

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

1.1 Reasons for and objectives of the proposal

Since Russia's unprovoked and unjustified full-scale invasion of Ukraine, supplies of gas to the EU by Russia have been disrupted as a deliberate attempt to use energy as a political weapon. Russia has been for many years the main gas supplier of the EU. Historically, the EU relied on Russia for more than 40% of its gas supplies. The supply of gas has continuously decreased since February 2022. The pipeline flows of gas from Russia had been less than 10% of the EU's gas imports in the first half of 2023. Twelve Member States activated the first or second crisis level pursuant to the common EU classification, as foreseen by the Gas Security of Supply Regulation (EU) 2017/1938.

This supply shock has had significant impacts on the price level and volatility of gas and electricity, on inflation, on the overall EU financial and macroeconomic stability, and on all citizens. The wholesale price in 2022 was on average more than five times higher than the pre-crisis level and even spiked above 300 €/MWh at the peak of the crisis in summer 2022. They remain to this date at markedly higher levels than in the pre-crisis period, with strong volatility. Companies, in particular energy-intensive industries, experienced loss of competitiveness, while citizens face reduced purchasing power.

In this context, the Council adopted on 19 December 2022 the Council Regulation (EU) 2022/2576 to enhance solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders.

Regulation (EU) 2022/2576 provides a temporary legal basis in respect of:

- better coordination of gas purchases (Chapter II);
- measures to prevent excessive gas prices and excessive intra-day volatility in energy derivatives markets (Chapter III), and;
- measures for the case of a gas emergency (Chapter IV).

Regulation (EU) 2022/2576 aims at mitigating the impact on the price for gas by addressing demand and supply, ensuring security of supply across the entire European Union, and enhancing solidarity. It contains different elements designed to work, in a coherent manner, towards avoiding very high prices and reinforcing solidarity and security of supply.

This proposal seeks to prolong by one year the period of application of the provisions of Regulation (EU) 2022/2576 in view of the persisting risks for energy supplies in the Union.

The Union's response under REPowerEU and following initiatives, including the measures set out in Regulation (EU) 2022/2576, contributed to mitigating the effects of Russia's invasion of Ukraine on the supplies of gas, and its subsequent impacts on price levels, inflation, financial and macroeconomic stability, and on all citizens.

However, global gas markets continue to be very tight and market balances are expected to remain precarious in the immediate future. This situation has negative consequences on gas prices which, despite being lower than the peak experienced in summer 2022, remain more than twice as high than pre-crisis levels. A number of risks can, if they materialise, fuel the fear of scarcity which, given the fragility of the market due to its tightness, may trigger large reactions with serious repercussions on prices. These risks include a rebound in Asian LNG

demand reducing the availability of gas on the global gas market; a cold winter which could lead to an increase of gas demand of up to 30 bcm; extreme weather potentially affecting the hydropower storage and nuclear production due to low water levels, and the subsequent increase in demand for gas fired power generation; further disruptions of critical infrastructures; and a deterioration of the geopolitical environment and threat landscape in supplying regions, for example with the crisis in the Middle East.

Should the relevant Union measures cease to apply, this would alter the stabilised but fragile situation the Union has achieved so far and would deteriorate the resilience to likely future developments such as a complete halt of Russian imports.

1.1.1. The main elements of Regulation (EU) 2022/2576

(1) Demand aggregation and better coordination of gas purchases

Pursuant to Regulation (EU) 2022/2576, the Commission designed and implemented, with the support of a service provider, the "AggregateEU" mechanism, which allows for aggregation of demand, organisation of tendering rounds vis à vis international gas suppliers and matching the demand with suppliers' bids. The mechanism is open to participation, as buyers, of undertakings established in the EU and in the Energy Community Contracting Parties.

The Regulation provides for mandatory demand aggregation by laying down on Member States an obligation to require domestic undertakings to use the service provider to aggregate demand with sufficiently high volumes of gas. Volumes equivalent to at least 15 % of storage filling targets (around 13,5 billion cubic metres for the Union as a whole), are to be included by Member States' undertakings in the demand aggregation process.

To prevent that the objective of diversification from the gas supplied from the Russian Federation is put at risk, Regulation (EU) 2022/2576 provides that participation of undertakings or other bodies controlled by Russian natural or legal persons or undertakings established in the Russian Federation is excluded. In addition, natural gas originating in the Russian Federation is excluded from the demand aggregation and joint purchasing mechanism, including natural gas supplies entering the Member States or Energy Community Contracting Parties through a list of entry points.

Regulation (EU) 2022/2576 contains provisions aimed at ensuring a better coordination of gas purchases in the Union and energy solidarity among Member States. To achieve this, the Regulation seeks to provide the Commission with an overview of upcoming tenders or contracts related to the sale and purchase of gas. Accordingly, natural gas undertakings or undertakings consuming gas are required to send notifications to the Commission of any upcoming tenders or contracts of a volume above 5 TWh/year. The Commission then may issue recommendations to such undertakings in cases where such tenders or contracts may negatively impact the joint purchasing mechanism, market functioning, security of supply or solidarity.

(2) Efficient operation of pipelines and LNG terminals

Regulation (EU) 2022/2576 also enhances the efficient operation of pipelines and LNG terminals.

Diversification of supply sources away from Russian gas has been changing the gas flow patterns in the EU. Therefore, the routes from LNG terminals to consumption centres have become more relevant than the formerly predominant East-West flows. However, such

changes in gas flows have led to particularly high levels of congestion at interconnection points, notably in north-western Europe.

To enhance the gas system's responsiveness to congestion and improve the system's flexibility, Article 14 of Regulation (EU) 2022/2576 contains provisions obliging TSOs to offer underutilised contracted firm capacity for all interconnectors, not only congested ones, either through (i) the implementation of a new monthly "use-it-or-lose-it" (UIOLI) procedure, or (ii) the extension of existing procedures with the same objective.

Moreover, it has become of utmost importance to optimise the LNG absorption capacity of the EU LNG terminals and the usage of storage facilities. For this purpose, increased transparency was deemed necessary by market participants, similar to the level of transparency existing for the transport of gas via pipelines. Gas Infrastructure Europe (GIE) operates two main platforms covering all EU Member States as well as the United Kingdom and Ukraine: the Aggregated Gas Storage Inventory (AGSI) for gas storage and the Aggregated LNG Storage Inventory (ALSI) for LNG. Following the entry into force of Regulation (EU) 2022/2576 (Articles 12 and 13), new components were added to these platforms, including information on services offered and the conditions that apply to those services, contracted and available storage and LNG facility capacities, tariffs, etc. The platforms currently cover almost all EU large-scale LNG terminals and 98% of EU storage facilities. In addition to the EU-wide platforms, the individual storage and LNG operators were obliged to create more transparency around the possibilities to book secondary capacity. To this end, they were required to set up individual booking platforms.

Greater transparency makes for a better and more comprehensive overview of the LNG and storage markets in the EU. It also results in more efficient use of these infrastructures and increases the potential to attract additional suppliers.

(3) Action on the level of gas prices

Development of a new complementary benchmark for LNG

The EU's LNG market is still consolidating. Hub indexed pricing remains influenced by pipeline supplies and by existing infrastructure bottlenecks, and therefore it does not always accurately reflect the price at which LNG is actually imported into the Union. Also, as Russian gas still represents a non-negligible – though decreasing – part of EU imports, increasingly concentrated in some areas, gas markets remain vulnerable to Russian gas supplies manipulation.

There is a need to provide for stable and predictable pricing for LNG imports, which are indispensable to replace the supply shortfalls caused by the likely halt of Russian gas imports. Regulation 2022/2576 has tasked the European Agency for the Cooperation of Energy Regulators ('ACER') to create within a short time frame an objective price assessment tool, and over time a benchmark, of the EU's LNG imports by collecting real-time information on all daily transactions. ACER has developed such a benchmark, which provides more comprehensive information to buyers and increases price transparency.

Regulation 2022/2576 granted ACER the necessary powers to collect the transaction data needed for the establishment of the LNG benchmark, building on and reinforcing the tasks and powers ACER already had under Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency and Commission Implementing Regulation (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No

1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (hereinafter together referred to as 'REMIT').

(4) Action to reduce price volatility

Intra-day price volatility management mechanism:

Financial legislation (MiFID II) already requires a set of mechanisms to be set up by trading venues to contain significant volatility in financial markets, and ESMA has been working on ways to improve the functioning of circuit breakers across all asset classes, which will have a more permanent positive impact on trading of all asset classes, including energy derivatives. The just concluded MiFIR Review has also added the notion of emergency situation and given additional powers to ESMA on circuit breakers. Those changes are due to be transposed in national legislations by the second half of 2025. The intra-day volatility management mechanism set out in Regulation (EU) 2022/2576 has been introduced so that trading venues set up mechanisms to prevent excessive movements of prices within a trading day, either through the adaptation of existing circuit breakers or through the creation of an additional mechanism. Large volatility spikes on gas and electricity markets make it difficult for energy firms to continue participating in those markets and meet their hedging needs while ensuring security of energy supply for the end-consumers.

Therefore, Regulation (EU) 2022/2576 lays down a requirement for trading venues to establish a temporary intra-day volatility management mechanism aimed at limiting large price movements in energy-related derivatives contracts within the same trading day. Trading venues can implement the intra-day volatility management mechanism either by integrating it into their existing circuit breakers already established in accordance with Directive 2014/65/EU or as an additional mechanism.

(5) Security of supply

Extension of solidarity protection obligation to critical gas fired power plants

Under Regulation (EU) 2017/1938, a Member State where critical gas-fired power plants may play a key role for security of electricity supply, would have to curtail these power plants, to the possible detriment of the security of electricity supply of other Member States, before this Member State is allowed to request solidarity measures under Regulation (EU) 2017/1938. To prevent such negative spill-over effects into electricity generation, Regulation (EU) 2022/2576 allows Member States to trigger a solidarity request, under certain limits, if gas-fired power plants, that are needed to ensure the electricity system's adequacy, are at risk of not being supplied with critical gas volumes. For the same reason, Member States providing solidarity will be entitled to ensure that the operation of their critical gas-fired power plants is not endangered when providing solidarity to another Member State.

Default rules for bilateral solidarity

Specific measures in Regulation (EU) 2022/2576 introduced a default mechanism between the Member States to ensure they help each other to supply the "solidarity protected customers" (households and under certain conditions district heating and essential social services) and critical gas-fired power plants, in an emergency leading to very severe shortage of gas. The security of supply rules resulting from Regulation (EU) 2017/1938 introduced the principle of such solidarity but its actual use in a crisis requires detailed legal, technical and financial arrangements which were supposed to be agreed bilaterally between Member States. However, only eight out of 40 required arrangements have been agreed so far. Articles 27 and 28 of Regulation (EU) 2022/2576, therefore, spell out the rules and procedures that will

automatically apply between Member States which have not agreed on bilateral solidarity arrangements.

Solidarity has to be provided based on fair compensation pursuant to Article 13 of Regulation (EU) 2017/1938. However, possible indirect costs resulting from judicial or arbitration proceedings after the curtailment of industry will remain to be limited to 100% of the price of gas. The reason is that the cost of compensation to industry resulting from curtailment is partially covered by the price of gas and, should a part remain from litigation, this part is highly uncertain and can largely exceed the costs of the gas. The uncertainty about indirect compensation costs therefore has proved to be a major obstacle for Member States to conclude bilateral solidarity agreements. However, Member States will still be able to agree on different compensation conditions.

The current solidarity obligation, stemming from Regulation (EU) 2017/1938, applies between the Member States that are directly connected or via a third country. This proposed prolongation will maintain the extension of this obligation to Member States with LNG facilities, which, even if not directly connected, could provide solidarity to a Member State in an emergency if endowed with the infrastructure necessary to receive this LNG.

1.1.2. The current situation: severe difficulties and risks for the EU's security of gas supply persist

The Union's response under RepowerEU and following initiatives, including the measures set out in Regulation (EU) 2022/2576, helped mitigate the consequences of the crisis and prepared the EU to a degraded security of gas supplies situation. In the Report on the main findings of the review of Regulation (EU) 2022/2576, in view of the general situation of gas supply to the Union[1], the Commission concluded that the Regulation's provisions have played an important role in stabilising the situation of the gas market and ensuring adequate gas supply to the Union, and that the Regulation is an important element of the EU gas security of supply tool kit.

If not prolonged, the Regulation will cease to apply on 30 December 2023.

However, as of the date of adoption of this proposal, severe difficulties in gas supplies to the Union persist.

Due to the significant decrease in Russian pipeline gas imports over the past year, availability of gas supplies to the Union is considerably reduced compared to pre-crisis. With the current pipeline gas import levels, the Union is expected to receive approximately 20 bcm of Russian pipeline imports in 2023, and these unreliable imports may be further reduced or stopped. This figure would be approximately 110 bcm less than in 2021.

Global gas markets remain very tight and are expected to remain as such for some time as only very limited new LNG liquefaction capacity globally is planned to be operational before 2026.

This situation has negative consequences on gas prices which, despite being lower than the peak experienced in summer 2022 (when prices spiked above 300 EUR/MWh), remain more than twice as high than pre-crisis levels. Over the previous decade, prices had moved within a band of EUR 5 MWh to EUR 35 MWh and averaged around EUR 20/MWh. In early autumn 2023 prices ranged between EUR 40 MWh and EUR 50 MWh. This level of prices still has inevitable repercussions on the EU citizens' purchasing power and the competitiveness of European businesses.

Market volatility is also a consequence of the market tightness and represents an additional risk for the EU economy. Summer and autumn 2023 saw a number of episodes of significant volatility when prices increased by more than 50% in few weeks. This shows that gas markets are still fragile and may have large reactions to any unexpected and sudden shock to supply and demand, as was the case following the strike in Australian LNG facilities, the Middle East crisis and the disruption of the Balticconnector. Under these conditions, the fear of scarcity may trigger large reactions with serious repercussions on prices.

A number of risks can, if they materialise, fuel the fear of scarcity which, given the fragility of the market due to its tightness, may trigger large reactions with serious repercussions on prices. These risks include: a rebound in Asian liquefied natural gas (LNG) demand that further reduces the availability of gas on the global gas market, a cold winter which could lead to an increase of gas demand of up to 30 bcm, extreme weather conditions potentially affecting hydropower storage or nuclear production which would require higher recourse to

[1] COM(2023) 547 final.

gas-fired power generation and/or trigger increased demand for gas, and further possible gas supply disruptions, including a complete halt of gas imports from Russia or a disruption of existing critical gas infrastructure.

Furthermore, since the adoption of the Report on the main findings of the review of Regulation (EU) 2022/2576, the threat landscape has deteriorated. Armed conflicts of high intensity are now hitting several of the key EU supply regions, in addition to Russia's war of aggression against Ukraine (Azerbaijan, Middle East).

Recent examples illustrate the likelihood and relevance of the risks related to the disruption of critical gas infrastructure. In September 2022, the NordStream 1 pipeline was damaged by acts of sabotage to such a degree that it currently cannot transport any gas and will not be able to do so in the foreseeable future. In October 2023, the Balticconnector, an important pipeline connecting Finland to Estonia, was disrupted. The investigation is examining whether the damage was external and made by a vessel's anchor. As a result of the Balticconnector disruption, Finland is now no longer able to meet the N-1 criterion as part of the infrastructure standard defined in Article 5 of Regulation (EU) 2017/1938. The N-1 criterion ensures that Member States take measures so that in case of a disruption of the single largest gas infrastructure, they still have the technical capacity to satisfy their total demand during a peak day, As a result of the Balticconnector disruption, on 27 October 2023 Finland raised its crisis level pursuant to Article 11 of Regulation (EU) 2017/1938 from "early warning" to "alert", which is the last crisis level before an emergency. This new infrastructure incident illustrates the likelihood and relevance of the risks related to new disruptions of critical gas infrastructure.

It should be also noted that the significant reduction in demand for natural gas (-18% between August 2022 and September 2023) is contributing to preserve the gas balance in the EU. This reduction is a result of economic factors (e.g. high prices) and administrative measures adopted by Member States pursuant to Regulation 2022/1369 on coordinated gas demand reduction and Regulation (EU) 2023/706 that prolonged it. A possible increase in demand, due to a rebound in the gas use in the residential, commercial and industrial sectors or in case the administrative measures aimed at reducing demand were not prolonged further, represents an additional risk that, given the current situation of tight global gas markets, could undermine EU's security of gas supply.

In three subsequent reports of December 2022, February and July 2023, the International Energy Agency (IEA) has consistently been highlighting the risks for the EU security of gas supply and warning against complacency in the light of the improvement of the situation compared to the peak of the crisis in summer 2022. According to the report of February 2023, "*global gas supply is set to remain tight in 2023 and the global balance is subject to an unusually wide range of uncertainties and exogenous risk factors. This includes the possibility of complete cessation of Russian piped gas deliveries to the European Union, as well as a recovery of China's LNG imports in line with the country's long-term LNG contracts and a potential lower availability of LNG supply*" The IEA warned that "*the improved outlook should not be a distraction from the measures necessary (...) to mitigate the European Union's exposure to the exogenous risks*"[2]. It developed stress scenarios with a halt to Russian gas supplies, LNG supplies remaining tight and weather-related demand increases, which

[2] https://www.iea.org/reports/background-note-on-the-natural-gas-supply-demand-balance-of-the-european-union-in-2023

could result in a potential supply-demand gap of 40 bcm in the EU. In its report of July 2023, the IEA highlighted that "*risks and uncertainties remain ahead of the 2023/24 Northern Hemisphere winter*" and "*full storage sites are no guarantee against winter volatility and the risk of renewed market tensions*"[3].

In addition, the European Network of Transmission System Operators (ENTSOG) published its yearly Winter Supply Outlook with a summer overview, in line with Article 8 of Regulation (EC) 715/2009. ENTSOG concluded that although the general security of supply situation in the EU has significantly improved, additional measures may be needed in case of a full Russian supply disruption. In addition, careful management of the storages throughout the winter of 2023-2024 is needed, as a 46% filling level is likely needed at the beginning of the injection season to achieve the 90% storage target set out by Regulation (EU) 2022/1032[4].

In conclusion, in the light of the persisting severe difficulties and risks, the situation related to gas supplies, while improved compared to the peak of the crisis in summer 2022, remains fragile. The Union's response under RepowerEU and following initiatives, including the measures set out in Regulation (EU) 2022/2576, contributed to improve the situation. Should the relevant Union measures cease to apply, this would alter the stabilised but fragile situation the Union has achieved so far and would deteriorate the resilience to likely future developments such as a complete halt of Russian imports.

In the light of these persisting severe difficulties and risks for the EU's security of gas supply, and not to alter the current fragile balance, it is necessary and urgent to prolong Regulation (EU) 2022/2576. Hence, this Proposal seeks to prolong by one year the period of application of Regulation 2022/2576 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders. The prolongation by one year is necessary and proportionate due to the persistent nature of the severe difficulties and the additional risks, and the uncertainty of the current situation which is expected to continue during the whole of 2024.

1.1.3. Reasons for prolonging the Regulation's provisions in the current situation

The different provisions of Regulation (EU) 2022/2576, which the current proposal seeks to prolong, are necessary to address the above-mentioned severe difficulties and risks for the EU's security of gas supply, for the following reasons.

Better coordination of gas purchases (Chapter II – Section 1 and 2)

In general, demand aggregation and better coordination of gas purchases help to ensure more equal access for undertakings across Member States, especially those in landlocked countries or without direct access to international markets, to new or additional gas sources in urgent situations where solidarity is required. It can, in the spirit of solidarity, reduce the detrimental effect of outbidding, which is driving prices up and help in particular smaller undertakings to benefit from more advantageous purchasing conditions resulting from aggregated demand.

Pursuant to Regulation (EU) 2022/2576, the Commission designed and launched, with the assistance of a service provider, the demand aggregation and joint purchasing mechanism

[3] https://iea.blob.core.windows.net/assets/f45a2340-8479-4585-b26e-ec5e9b14feca/GlobalGasSecurityReview2023IncludingtheGasMarketReportQ32023.pdf. In early November 2023, the EU gas inventories reached a record high level at above 99% capacity.

[4] SO0052-23_Winter Supply Outlook 2023-24 with Summer 2024 Overview.pdf (entsog.eu)

under the name of “AggregateEU”. Member States and natural gas undertakings as well as undertakings consuming gas have effectively participated in the demand aggregation and joint purchasing mechanism under Regulation (EU) 2022/2576 (“AggregateEU”) and contributed to achieve, by October 2023, a total aggregation of 44.04 bcm of demand for gas, which is equivalent to more than three times the mandatory amounts for demand aggregation. The matched volumes in the same period amounted to 34.77 bcm, corresponding to around 10% of EU consumption in 2022. This shows that "AggregateEU” attracted significant interest by market participants.

The Commission also implemented supporting measures as mandated by the Regulation, including those on transparency and information exchange, governance of the EU Energy Platform and mandatory use of “AggregateEU”. Under the transparency and information exchange provisions of the Regulation, the Commission issued two recommendations by July 2023. In these instances, the Commission considered that further coordination with regards to tenders for the purchase of gas was needed, as it could improve the functioning of joint purchasing or prevent a negative impact on the internal market, on security of supply or on energy solidarity.

In the Report on the main findings of the review of Regulation (EU) 2022/2576, the Commission concluded that the “AggregateEU” mechanism, based on the demand aggregation provisions of the Regulation, provided additional opportunities for European buyers (undertakings established in the EU and in the Energy Community Contracting Parties) to procure gas from reliable suppliers at competitive conditions as well as market transparency on demand and supply, thereby contributing to decreasing volatility of markets.

In view of the above, demand aggregation and better coordination of gas purchases remain a valuable tool to address the above-mentioned severe difficulties and risks for the EU’s security of gas supply. The relevant provisions should therefore be prolonged by one year.

Measures to enhance the use of LNG facilities, gas storage facilities and pipelines (Chapter II – Section 3)

The provisions of Regulation (EU) 2022/2576 increasing the transparency around available capacities and services offered at LNG terminals and gas storage sites facilitated the increased influx of LNG into the Union and facilitated the accommodation of the altered gas flows. The situation has not changed since the adoption of the Regulation as the EU still needs to import large volumes of LNG to compensate for the Russian pipeline supply and it will continue to do so in the foreseeable future. This is why enhanced transparency around LNG terminals and storage sites remains necessary.

Regulation (EU) 2022/2576 requires having use-it-or-lose-it mechanisms in place at all interconnection points in Europe, whereas this was only a requirement for certain interconnection points in the past. Such mechanisms enable the system to react to possible congestion resulting from changed gas flows in a swift and flexible manner.

The measures to enhance the use of LNG facilities, gas storage facilities and pipelines remain a valuable tool to address the above-mentioned severe difficulties and risks for the EU’s security of gas supply and the relevant provisions should therefore be prolonged by one year.

Measures to prevent excessive gas prices and excessive intra-day volatility in energy derivatives markets (Chapter III)

Due to the difficulties to assess the accuracy of LNG prices prevailing in the marketplace, Regulation (EU) 2022/2576 tasks the European Union Agency for the Cooperation of Energy Regulators (ACER) to collect all the data on transactions pertaining to LNG deliveries to the Union necessary to establish a daily LNG price assessment and a daily LNG benchmark, determined as the spread between the LNG daily price assessment and the settlement price for the TTF futures front-month.

On trading, Regulation (EU) 2022/2576 includes a measure to manage excess volatility in gas and electricity derivatives markets, while preserving the price formation processes. The intra-day price spike collar aims at avoiding excessive price volatility and prevent extreme price spikes in prices on energy derivative market over a trading day.

As concluded in the Report on the main findings of the review of Regulation (EU) 2022/2576, since gas markets still feature episodes of significant volatility, the provisions in Chapter III – of Regulation (EU) 2022/2576 may play a role in preventing excessive price spikes and in stabilising the market. The episodes of pronounced volatility observed in summer and autumn 2023 reinforce the conclusion that gas markets are still fragile and vulnerable to extreme price spikes. The intra-day volatility mechanism could remain a valuable tool to address the above-mentioned severe difficulties and risks for the EU's security of gas supply and the relevant provisions should therefore be prolonged by one year.

Measures for the case of a gas emergency (Chapter IV)

Regulation (EU) 2022/2576 temporarily complemented the Gas Security of Supply Regulation, notably by making the solidarity mechanism applicable by default in absence of bilateral agreements, as well as by extending the solidarity mechanism to liquified natural gas (LNG) and critical gas volumes (CGV) for electricity. In addition, a provision was added to facilitate demand reduction by protected customers, as well as a provision to safeguard cross-border flows.

In December 2022, the Commission carried out a joint solidarity 'dry run' exercise with EU Member States and ENTSOG, which tested the emergency rules and procedures, as well as the solidarity mechanism. In addition, the Commission circulated a questionnaire to the Gas Coordination Group to gather feedback on e.g. the provisions set out in Regulation (EU) 2022/1576. The outcomes of the 'dry run' exercise and the questionnaire are further detailed in the Report on the main findings of the review of Regulation 2022/2576.

Based on the findings of the Report on the main findings of the review of Regulation (EU) 2022/2576 and the new threat landscape, the Commission concludes that the concepts set out in Chapter IV remain essential to mitigate possible gas crises and reduce the collective costs of such a crisis, and for facilitating ongoing or future demand reduction efforts. In particular, the absence of bilateral agreements is a structural vulnerability that persists, meaning that a prolongation of default rules is necessary. Critical gas volumes for electricity generation too remain crucial to prevent that a potential gas crisis does not spread to the electricity system. The values for critical gas volumes in Annex I remain valid for the period of a prolonged application of the Regulation until the end of 2024.

In addition, the supply landscape of the EU has changed significantly, with LNG being the main supply source in 2023. Solidarity should therefore still be extended to include Member States with LNG facilities, to reflect this changed reality. Lastly, the concepts of non-essential consumption of protected customers and the additional safeguards for cross-border flows in

an emergency were assessed to be beneficial concepts for preventing and mitigating crises and therefore useful provisions to prolong.

1.2 Consistency with existing policy provisions in the policy area

The proposed instrument sets out temporary, proportionate and extraordinary measures. It complements existing relevant EU initiatives and legislation, which ensure that citizens can benefit from secure gas supplies and that customers are protected against major supply disruptions. It also furthers the objective of diversification of natural gas supply.

The provisions of Regulation (EU) 2022/2576 are consistent with existing initiatives, such as the "REPowerEU" Communication, the proposal for a "Hydrogen and Gas Market Decarbonisation Package" and the "Demand Reduction Regulation" with the accompanying "Save Gas for a Safe Winter" Communication. They are complementary to the EU legislation on internal market and security of supply.

Regulation (EU) 2022/2576 reinforces and complements the Regulation (EU) 2017/1938 on Gas Security of Supply. The latter already includes an obligation to provide solidarity, as well as the notion of solidarity protected customers, which includes households and under certain circumstances essential social services and district heating. Regulation (EU) 2022/2576 extends this solidarity obligation to safeguard the supply of critical volumes for gas fired power plants and operationalises it through a default mechanism in case of absence of bilaterally agreed solidarity arrangements, which now also apply to Member States with LNG facilities.

The proposal also fully reflects the objective of Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas to pro-actively reduce gas demand to mitigate potential supply disruptions due to Russia's war of aggresson against Ukraine. Demand reduction remains a key pillar of our security of supply response and the proposal strengthens this pillar by allowing Member States to undertake savings from non-essential consumption of protected customers, while still protecting vulnerable consumers.

Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005 contains, in its Annex 1, point 2.2.5, provisions regarding a long term "use-it-or-lose-it" mechanism. These provisions have been adopted to prevent blocking of transport capacities by market participants in times when they cannot or do not plan to utilise them. Due to the crisis situation, Regulation 2022/2576 reduces administrative burden and ensures the application of these provisions. In particular, it reduces the time which elapses when the capacity is not used from six months to one month.

Following the Russian full-scale invasion of Ukraine, the EU has set out the REPowerEU Plan with the aim to end the EU's dependency on Russian fossil fuels, as soon as possible and at the latest by 2027. To achieve this, the REPowerEU Plan sets out the EU Energy Platform and announced a mechanism for demand aggregation and joint purchasing. Regulation 2022/2576, whose provisions the current proposal seeks to prolong, established such mechanism. The proposed initiative is fully consistent with the goals set out in REPowerEU.

This proposal for prolonging the period of application of Regulation (EU) 2022/2576 is therefore complementary to existing provisions and the recent initiatives in the energy sector, safeguarding the security of gas supply, helping to stabilise the market and keeping the prices in check, and contributing to the diversification of gas supplies.

Lastly, this proposal is complementary to efforts of the European Securities and Markets Authority (ESMA), which has issued on 12 October 2023 a supervisory briefing on the calibration of circuit breakers, as mandated in Directive (EU) 2014/65, that aims at strengthening the functioning of such circuit breakers across all asset classes.

1.3 Consistency with other Union policies

European Green Deal

Regulation (EU) 2022/2576, whose provisions the current proposal seeks to prolong, aims at fundamentally reinforcing security of supply and tackling high and volatile energy prices. It is also consistent with the longer-term objective of the Green Deal. The provisions on demand aggregation and joint purchasing, establishing ways of purchasing gas in a more coordinated way, is also in line with the decarbonisation path indicated in the Green Deal and the RepowerEU.

Internal Market Policy

The proposal is compatible with the rules on the internal market for energy. Functioning cross-border energy markets are key to ensure security of supply in a situation of supply shortages.

Competition Policy

The rules on demand aggregation and joint purchasing can be applied in a manner compatible with EU competition rules, which allow joint purchasing between competing undertakings under certain conditions, and which are applied in the light of prevailing market circumstances.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

2.1 Legal basis

The legal basis for this instrument is Article 122(1) of the Treaty on the Functioning of the European Union ('TFEU').

The current and on-going shortage of gas supplies constitutes a severe difficulty in the supply of an energy product pursuant to Article 122 TFEU. As explained above, severe difficulties and risks for the EU security of gas supply persist. Due to the significant decrease in Russian pipeline gas imports over the past year, availability of gas supplies to the Union is considerably reduced compared to pre-crisis. Global gas markets remain very tight and are expected to remain as such for some time as only very limited new LNG liquefaction capacity globally is planned to be operational before 2026. Summer and autumn 2023 saw a number of episodes of significant volatility which show that gas markets are still fragile and may have large reactions to any unexpected and sudden shock to supply and demand, as was the case following the strike in Australian LNG facilities, the Middle East crisis and the disruption of the Balticconnector).

A number of risks can, if they materialise, fuel the fear of scarcity which, given the fragility of the market due to its tightness, may trigger large reactions with serious repercussions on prices. These risks include a rebound in Asian liquefied natural gas (LNG) demand that reduces the availability of gas on the global gas market, extreme weather conditions potentially affecting hydropower storage or nuclear production which would require higher

recourse to gas-fired power generation, and further possible gas supply disruptions, including a complete halt of gas imports from Russia or a disruption of existing critical gas infrastructure.

Therefore, there is an urgent need for continued measures for more coordinated and immediate action, in order to be better prepared for possible further gas disruptions and periods of market volatility in the course of the next year. The measures to be continued under the instrument for a limited period of time allow all Member States and market participants to prepare for and deal with possible further supply shortages and market volatility in a coordinated manner. The measures of Regulation (EU) 2022/2576 to be prolonged are taken in a spirit of solidarity between Member States. For example, demand aggregation and joint purchasing can strengthen Union solidarity by supporting particularly those undertakings that were previously purchasing gas only or mainly from Russian suppliers and helping them to obtain supplies from alternative natural gas suppliers at competitive conditions. In addition, price assessments and benchmark spreads published under Regulation (EU) 2022/2576 are crucial to bringing about more solidarity between Member States in procuring limited LNG supplies. Furthermore, Regulation (EU) 2022/2576 establishes temporary measures, for the case of a gas emergency, to distribute gas fairly across borders, to safeguard gas supplies for the most critical customers and to ensure the provision of cross-border solidarity measures. This ensures that a localised gas crisis does not spread over several Member States.

It is therefore justified to base the proposed instrument on Article 122(1) TFEU.

2.2 Subsidiarity (for non-exclusive competence)

The provisions of Regulation (EU) 2022/2576 and their proposed prolongation are fully in line with the subsidiarity principle. Because of the scale and the significant effect of the severe difficulties and risks for the EU security of gas supply, there is a need for EU level action. An EU-wide approach through demand aggregation and better coordination of supplies and more efficient use of LNG terminals, gas storages and pipelines, in a spirit of solidarity, is necessary to minimise the risk of potential major disruptions. This can be regulated efficiently at EU level instead of national level.

The measures to prevent excessive gas prices and excessive intra-day volatility in energy derivatives market also call for action at the EU level given the integrated nature of gas and financially related markets.

A coordinated approach at EU level is also necessary on security of supply measures. Such a coordination is crucial to ensure that Member States have the possibility to respond in an efficient and timely manner to solidarity requests. While Member States will continue to have the possibility to enter into bilateral solidarity arrangements, default rules will be in place until such arrangements are concluded, allowing for all EU Member States to benefit from solidarity. This will ultimately ensure that the provision of bilateral solidarity is not hindered by the lack of administrative and financial arrangements between the Member States, while also allowing Member States to complement the default rules with negotiated conditions.

Given the unprecedented nature of the gas supply crisis and its cross-border effects, as well as the level of integration of the EU internal energy market, action at Union level is warranted as Member States alone cannot effectively address the risk of serious economic difficulties resulting from price hikes or significant supply disruptions. Only continued EU action motivated by a spirit of solidarity between Member States can ensure that supply disruptions and market volatility do not lead to lasting harm for citizens and the economy.

By reason of its scale and effects, the measure can be better achieved at Union level, hence the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union.

2.3 Proportionality

The provisions of the Regulation and their proposed prolongation comply with the proportionality principle. The measure is proportional to the dimension and nature of the problems defined and the achievement of the set objectives.

In view of the unprecedented geopolitical situation and the significant threat for citizens and the EU economy, there is a clear need for coordinated action. The measures set out in the proposal do not go beyond what is necessary to achieve their objectives and are proportionate to those objectives.

More specifically, the provisions on demand aggregation and joint purchasing that this proposal seeks to prolong are generally to be implemented on a voluntary basis, with only a limited exception as regards mandatory participation in demand aggregation for a certain volume of gas. Private undertakings remain entirely free to conclude or not the gas supply contracts.

The extension of solidarity to critical gas-fired power plants imposes restrictions on market operators that are necessary to ensure security of gas supply during a situation of reduced gas supply and increased demand during the winter season. They build on existing measures laid down in respectively Regulations (EU) 2022/1369 and (EU) 2017/1938, aiming at making those measures more effective under the current circumstances.

The obligation on market operators to provide ACER with information on LNG transactions is aligned with market operators' existing obligations under REMIT and ACER will keep sensitive business information confidential.

The measure to limit intra-day price volatility lays down requirements for trading venues and traders to allow energy companies to continue participating in gas and electricity markets and meet their hedging needs, thus ensuring security of energy supply for final consumers. At the same time, the provisions of the Regulation leave discretion to the trading venues to establish the applicable calculation method to determine their price boundaries relative to a reference price.

The duration of the prolongation is proportionate due to the persistent nature of the severe difficulties for energy supply and the resulting risks for prices and security of supply which are expected to continue at least during the whole of 2024 as more structural changes of the market conditions are only expected in the course of 2025.

2.4 Choice of the instrument

Taking into account the dimension of the energy crisis and the scale of its social, economic and financial impact, the provisions that the current proposal seeks to prolong are contained in a Regulation, which is of general scope and directly and immediately applicable. The prolongation of the period of application of these provisions should, therefore, also be done through the adoption of a Regulation.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

3.1 Stakeholder consultations

Due to the urgency to prepare the proposal for prolongation of Regulation (EU) 2022/2576 so that it can be adopted on time by the Council, a stakeholder consultation could not be carried out. However, matters related to the implementation of the Regulation, including the need for continued application of its provisions, have been discussed in relevant fora, such as the ad hoc Steering Board and the Industrial Advisory Group.

3.2 Impact assessment

This proposal to prolong the "Gas Solidarity Regulation" is an emergency measure based on Article 122(1) TFEU to address persisting severe difficulties and risks for the EU's security of gas supply. For this reason, an impact assessment could not be carried out. However, the proposal draws on the conclusions of the Report on the main findings of the review of Regulation (EU) 2022/2576.

3.3 Fundamental rights

No negative impact has been identified on fundamental rights. The measures under this instrument will not affect the rights of customers who are categorised as protected under Regulation (EU) 2017/1938, including all household customers. The instrument will enable to reduce the risks associated with gas shortage that would otherwise have major implications on the economy and society.

4. BUDGETARY IMPLICATIONS

The budgetary implications are limited to the need to finance the extension of the service contract between the Commission and the service provider that operates the demand aggregation platform "Aggregate EU".

The budgetary impact on the EU budget associated to this proposal also concerns the human resources and other administrative expenditures of the European Commission's Directorate General (DG) for Energy, as well as of ACER. The proposal seeks to prolong provisions that established an enhanced Gas Security of Supply architecture, with new obligations for Member States and, correspondingly, a reinforced role for DG Energy in a wide range of areas compared to the period before the initial Regulation – namely:

Overall management and implementation of the Regulation (3 FTE),

Work to design competition law compliant implementation of gas purchasing consortium, requiring exchanges with industry (2 FTEs),

Assessment of Member States requests for allowances regarding higher critical gas volumes; follow-up to solidarity requests; facilitation of the implementation of solidarity agreements (1 FTE),

Administrative assistance (2 FTE),

The proposal also sets out new tasks for ACER to collect LNG transaction data for the purpose of establishing an LNG benchmark (5 FTE).

This proposal does not require any budgetary resources additional to those already allocated in the context of the adoption of Regulation (EU) 2022/2576 and set out in the financial statement accompanying Regulation (EU) 2022/2576.

5. OTHER ELEMENTS

5.1 Detailed explanation of the specific provisions of the proposal

The changes proposed are targeted and limited in scope to prolong by one year the period of application of the provisions of Regulation 2022/2576.

In Article 31, the period of application of the Regulation is proposed to be changed from 30 December 2023 (the date resulting from one year from the entry into force of Regulation 2022/2576) to 31 December 2024.

2023/0444 (NLE)

Proposal for a

COUNCIL REGULATION

amending Regulation (EU) 2022/2576 as regards the prolongation of its period of application

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) Council Regulation (EU) 2022/2576[5] was adopted in view of the gas supply crisis caused by Russia's unprovoked and unjustified full-scale invasion of Ukraine in February 2022 and the need for the Union to react with temporary measures in a spirit of solidarity between Member States. It aims at mitigating the impact on the price for gas by addressing its demand and supply, ensuring security of supply across the entire Union, and enhancing solidarity.

(2) Regulation (EU) 2022/2576 provides a temporary legal framework in respect of better coordination of gas purchases, measures to prevent excessive gas prices and excessive intra-day volatility in energy derivatives markets, and measures for the case of a gas emergency.

(3) The period of the application of Regulation (EU) 2022/2576 was originally limited to 30 December 2023.

(4) In accordance with Article 30 of Regulation (EU) 2022/2576, the Commission carried out a review of that Regulation, the results of which are summarised in the Report on the main findings of the review of the Regulation of 28 September 2023 ('the Report')[6]. The Report concluded that Regulation (EU) 2022/2576 has played an important role in stabilising the situation of the gas market and ensuring adequate gas supply to the Union, and that it is an important element of the Union gas security of supply tool kit.

(5) Regulation (EU) 2022/2576 sets up a demand aggregation platform and requires Member States to take appropriate measures to ensure that natural gas undertakings and undertakings consuming gas under their jurisdiction participate in the process of demand aggregation organised by the service provider as one of the possible means to meet the filling targets referred to in Regulation (EU) 2017/1938 of the European

[5] Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders (OJ L 335, 29.12.2022, p. 1, ELI: http://data.europa.eu/eli/reg/2022/2576/oj).

[6] COM(2023) 547 final.

Parliament and of the Council[7], as amended by Regulation (EU) 2022/1032. Member States and natural gas undertakings as well as undertakings consuming gas have effectively participated in the demand aggregation and joint purchasing mechanism set up under Regulation (EU) 2022/2576 ("AggregateEU") and contributed to achieve, by October 2023, a total aggregation of 44.04 bcm of demand for gas, which is equivalent to more than three times the mandatory amounts for demand aggregation. This shows that "AggregateEU" attracted significant interest by market participants.

(6) The Report concluded that the "AggregateEU" mechanism provided additional opportunities for European buyers to procure gas from reliable suppliers at competitive conditions, as well as market transparency on demand and supply, thereby contributing to decreasing volatility of markets.

(7) As regards market oversight rules, Regulation (EU) 2022/2576 requires trading venues on which energy-related commodity derivatives are traded are to set up, for each energy-related commodity derivative traded on it, an intra-day volatility management mechanism based on an upper and lower price boundary ('price boundaries') that defines the prices above and below which orders may not be executed ('intra-day volatility management mechanism'). The Report found that gas markets still feature episodes of significant volatility and that the intraday volatility management mechanism may play a role in preventing excessive price spikes and in stabilising the market.

(8) Pursuant to Regulation (EU) 2022/2576, the European Union Agency for the Cooperation of Energy Regulators (ACER) is required to publish daily liquified natural gas (LNG) price assessments and daily LNG benchmark on the basis of LNG market data on transactions that ACER should systematically collect and process. The LNG price assessments and benchmark have provided the market with greater transparency thereby enhancing market players' ability to secure LNG supplies at competitive prices. The Report found that the LNG price assessment and benchmark have proven useful in stabilising the market.

(9) Regulation (EU) 2022/2576 provides for a number of security of supply and solidarity provisions for the case of a gas emergency to better coordinate the organisation of energy solidarity measures in an emergency situation. Its Chapter IV temporarily complemented Regulation (EU) 2017/1938, notably by making the solidarity mechanism applicable by default in absence of bilateral agreements, as well as by extending the solidarity mechanism to LNG and critical gas volumes for electricity. In addition, a provision was added to facilitate demand reduction by protected customers, as well as a measure to safeguard cross-border flows. The Report concluded that the temporary security of supply and solidarity provisions have proven to be useful to prevent and mitigate a gas crisis, and facilitate demand reduction efforts.

(10) The conclusion of the Report that severe difficulties persist for the Union's security of energy supply still holds true. The global situation on the gas market remains very tight. Gas prices are still considerably higher than pre-crisis with inevitable consequences on Union citizens' purchasing power and the competitiveness of Union businesses. Market volatility is another aspect of the current situation. Recent episodes of significant volatility in summer and autumn 2023, caused by events such as the

[7] 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 (OJ L 280, 28.10.2017, p. 1, ELI: http://data.europa.eu/eli/reg/2017/1938/oj).

strike in Australian LNG facilities, or the disruption of the Balticconnector, show that markets are still fragile and vulnerable to even relatively small shocks on demand and supply. The ongoing crisis in the Middle East constitutes an additional significant geopolitical risk with potential impact on prices and gas supply. Under these conditions, the fear of scarcity may trigger large reactions with serious repercussions on prices.

(11) Due to the significant decrease in Russian pipeline gas imports over the past year, availability of gas supplies to the Union is considerably reduced compared to pre-crisis. With the current pipeline gas import levels, the Union is expected to receive approximately 20 bcm of Russian pipeline imports, if these unreliable imports are not disrupted altogether. This would be approximately 110 bcm less than in 2021. This reduction constitutes a risk that gas shortages will occur in the Union.

(12) Global gas markets currently are very tight and are expected to remain tight for a certain time. Global LNG supply grew only modestly in the past two years because of limited liquefaction capacity additions, outages at major export facilities and declining feedgas supply at LNG plants. Significant new LNG liquefaction capacity is set to come online only in the course of 2025. Hence, market balances remain precarious in the immediate future. This situation has negative consequences on gas prices which, despite being lower than the peak experienced in summer 2022, remain more than twice as high than pre-crisis levels.

(13) In view of the current tight market conditions, prices may spike again on the back of unpredictable events and sudden shocks such as a rebound in Asian LNG demand reducing the availability of gas on the global gas market, a cold winter which could lead to an increase of gas demand of up to 30 bcm, extreme weather potentially affecting the hydropower storage and nuclear production due to low water levels, and the subsequent increase in demand for gas fired power generation, further disruptions of critical infrastructures, after the acts of sabotage against the NordStream pipelines in September 2022 and the disruption of the Balticconnector pipeline in October 2023, and a deterioration of the geopolitical environment and threat landscape in supplying regions, for example with the crisis in the Middle East.

(14) Given the current tight supply and demand balance, even moderate disruption to the supply of gas or even the mere threat of such disruptions could have a dramatic impact on the gas market and could cause serious and lasting harm to the economy and to the citizens of the Union.

(15) The current crisis is exposing the entire Union to risks of energy shortage and high energy prices. The persistent severe difficulties still affecting the Union's security of gas supply, as well as any new additional ones, and the level of gas prices can impact negatively the economic situation, industrial competitiveness and citizens' purchasing power.

(16) Since the Union is a single market, gas shortage in one Member State would have severe consequences in all other Member States through physical supply shortage of gas, volatility of prices or disruption of industrial chains resulting from possible curtailments of specific industries in a Member State. Moreover, in a spirit of solidarity, all Member States can contribute to continue reducing the risks of energy shortage and thus help contain gas price volatility.

(17) The prolongation of the period of application of Regulation (EU) 2022/2576 constitutes an exceptional and time-limited measure, in response to persistent and new

severe difficulties in the supply of energy, which entail a risk of imminent crisis. The prolongation will clearly decrease volatility of markets and enhance solidarity.

(18) The need to act is urgent. Not prolonging the period of application of Regulation 2022/2576, which will cease to apply on 30 December 2023, would risk altering the stabilised but fragile situation the Union has achieved so far and would deteriorate the resilience to likely future developments such as a complete halt of Russian gas imports. A prolongation of the period of application of Regulation (EU) 2022/2576 is also consistent with the "RepowerEU Plan"[8] which was meant to protect Union citizens and economy against excessive prices and energy supply shortages.

(19) The persisting energy supply tensions justify a prolongation of the demand aggregation and joint purchasing provisions in Regulation (EU) 2022/2576, as they help ensure more equal access for undertakings across Member States to new or additional gas sources. They also help ensure better conditions than might otherwise have applied to undertakings purchasing the gas through the use of the service provider, thereby contributing to security of supply.

(20) Prolonging the provisions on demand aggregation and joint purchasing would strengthen Union solidarity in purchasing and distributing gas. In a spirit of solidarity, the prolonged availability of demand aggregation and joint purchasing will support particularly those undertakings that were previously purchasing gas only or mainly from Russian suppliers by helping them to obtain supplies from alternative natural gas suppliers or providers in advantageous conditions.

(21) In order to support market participants throughout this winter and next gas storage filling season, continuity in the operation of the demand aggregation and joint purchasing mechanism ("AggregateEU") should be ensured. This includes the possibility of extending the current contract with the service provider in line with Regulation (EU, Euratom) 2018/1046[9].

(22) With a view to the advantages for consumers, price stability and energy supply security, a prolongation is also warranted with respect to the provisions establishing an intraday volatility management mechanism and a price assessment and LNG benchmark.

(23) In view of the persisting risks for stable gas supplies set out above, it is also appropriate to prolong to provisions for the case of a gas emergency (Chapter IV) for another year, in line with the findings on the positive effect of the provisions in the Report. The values for critical gas volumes in Annex I remain valid for the period of a prolonged application of the Regulation until the end of 2024.

(24) The extended application of Regulation (EU) 2022/2576 should be temporary, should enter into force on the 31 December 2023 in order to ensure a continued application of the relevant provisions, and should last one year, namely until 31 December 2024. The

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8 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, 18.5.2022.

9 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1, ELI: http://data.europa.eu/eli/reg/2018/1046/oj).

prolongation by one year is necessary and proportionate due to the persistent nature of the severe difficulties for energy supplies and the resulting risks for prices and security of supply which are expected to continue at least during the whole of 2024. The extension of the period of application of Regulation (EU) 2022/2576 should not introduce any additional obligations beyond the temporary prolongation, in particular as regards measures taken by Member States to ensure participation in demand aggregation.

(25) Regulation (EU) 2022/2576 should therefore apply until 31 December 2024.

(26) Since the objective of this Regulation cannot be sufficiently achieved by the Member States, but can rather be better achieved 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, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(27) Regulation (EU) 2022/2576 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) 2022/2576

Regulation (EU) 2022/2576 is amended as follows:

(1) In Article 31, the second paragraph is replaced by the following:

'It shall apply until 31 December 2024.'

(2) In Annex I, footnote (1) is replaced by the following:

'The figures in Annex I, parts (a) and (b), are based on data from the winter adequacy assessment pursuant to Article 9 of Regulation (EU) 2019/941 by the European Network of Transmission System Operators for Electricity (ENTSO-E), except for Malta for which the electricity generation relies exclusively on LNG deliveries with no significant storage capacities. Given the specificity of the low-calorific gas, the values for the Netherlands in this table should be multiplied with a conversion factor of 37,89 divided by 35,17. Annex I, part (a), represents the individual monthly volumes calculated by ENTSO-E for the months December 2022 to March 2023; the figures in Annex I, part (b), for the months April 2023 to December 2024 represent the average of the values in the period between December 2022 and March 2023.'

(3) In Annex I (b), the first sentence is replaced by the following:

'Maximum critical gas volumes for electricity security of supply pursuant to Article 23 for the period between April 2023 to December 2024 (values in million cubic metres):'

Article 2

Entry into force and application

This Regulation shall enter into force on 31 December 2023.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President