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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Any other business Winter preparedness 2023/2024 - Information from the Commission

In view of the Transport, Telecommunications and Energy Council on 19 December 2023, delegations will find in Annex an information note from the Commission.

WINTER ENERGY PREPAREDNESS 2023-2024**Information note from the European Commission**

As the heating season has started, the EU is better prepared than in the previous two winters. This is the result of sustained efforts by Member States and the European Commission in supply diversification, demand reduction, increased infrastructure capacity and high storage injections throughout the year.

Prices of January contracts for natural gas are close to the lowest levels in the past two years. Markets seem to recognise that the EU is better prepared for this winter season as prices continue to decline despite cold weather in November and early December.

The EU keeps progressing towards the **REPowerEU objective of phasing out Russian gas**:

- In 2023, with current flows, the Commission estimates around **40 billion cubic meters (bcm) of Russian gas** (approximately 50% via pipeline and 50% via LNG) arriving to the EU compared to 150 bcm before the war;
- **LNG imports** continue to play a key role, accounting for 40% of total gas imports;
- **Alternative pipeline flows** are still at maximum capacity with almost 108 bcm received in 2023, until 1 October (it was 132 bcm in total in 2022) and;
- **AggregateEU** contributed to the diversification effort, with four successful tenders, matching supply and demand worth around 42 bcm (details in Annex). For the first three rounds, at least 13 concluded contracts have been reported, other negotiations are still ongoing (both in total of around 6 bcm). Multiple buyers and sellers that concluded a contract highlighted the added value of AggregateEU in finding new counterparts or rekindling existing relationships.

Between August 2022 and October 2023, the EU **reduced its gas consumption** by 18% compared to the average of 2017-2022, which corresponds to savings of 85 bcm.

Thanks to the combined efforts of demand reduction and **storage injections** targets, the EU has entered the heating season **with full gas storages**. The EU target of 90% was met mid-August, and European operators have injected since then approximatively **2.5 bcm of gas in Ukraine storages** following the certification earlier in the year of the UA gas storage. The EU has already adopted intermediate storage targets for the winter of 2024-2025. In addition, the certification procedure for national gas storage operators continues.

According to ENTSOG's Winter Supply Outlook, **storage management will be key this winter to ensure that the EU starts the injection season in April with adequate storage levels, to guarantee the achievement of the 90% target** at the beginning of winter 2024-2025. It is assessed that a 45% storage level on 1 April 2024 would guarantee that market operators could meet the 90% target of 1 November 2024, even with a total disruption of Russian pipeline imports next summer.

Most Member States have submitted their updated Preventive and Emergency Plans, on which the Commission will issue opinions in accordance with the Gas Security of Supply Regulation.

As a result of energy savings and diversification efforts also the **Energy Community** is better prepared for the winter. While Ukraine continues to rely entirely on domestic resources for its gas security, Georgia and Moldova, in particular, have managed to diversify away from Russian supplies. Following EU rules, and to prepare for the next winter, the Energy Community has also adopted intermediate storage targets for the period 2024-2025.

Whilst the situation has improved compared to last year, **risks remain**, such as:

- **Supply side risks such** a rebound in Asia's demand which would reduce the availability of gas globally, a complete stop of Russian pipeline imports, or a disruption of existing critical gas infrastructure;
- **Demand side risks** such as extreme weather events or lower hydro and nuclear output leading to an increased generation of electricity with gas;
- **Further damage to the Ukrainian energy system** possibly leading to increased EU exports of gas and electricity to Ukraine and;
- **Other geopolitical risks:** worsening of the conflict in the Middle East and of the overall uncertain global environment; contributing to the increased volatility of the gas market over the last months.

The EU system proved more resilient in 2023 to disruptions than previous years, thanks in particular to the emergency measures adopted in 2022, limiting the impact on our market of the Balticconnector incident and the war in the Middle East. Nevertheless, a simultaneous materialisation of the risks abovementioned could have a significant impact on the security of energy supply. Moreover, price volatility in the summer shows that, despite significant improvements, gas markets remain fragile and vulnerable to even small shocks on demand and supply.

Against this background, the Commission will continue to monitor developments and assess the need for the necessary measures to ensure security of gas supply, as well as protecting critical energy infrastructures. The Commission is closely monitoring the implementation of the new Resilience of Critical Entities Directive on critical infrastructure protection.

On 28 November, the European Commission put forward a proposal to extend the **emergency measures** implemented last year in response to the energy crisis triggered by Russia. The proposed extensions encompass the gas solidarity measures, the Market Correction Mechanism, and the regulations associated with permitting for renewable energy projects. Although the European energy market is now more stable than it was a year ago, the Commission suggests prolonging these measures for another 12 months to bolster the security of gas supply, reinforce market resilience and winter preparedness, as well as preparing for the winter 2024-2025 security of energy supply.

The level of preparedness in **electricity** ahead of next winter is found to be better than last year. Yet, caution is still called for. Member States that still have their emergency measures in place will keep them in place until the end of the winter. Some Member States that do not have emergency measures in place will, however, introduce energy saving measures. .

According to ENTSO-E's Winter Outlook:

- Growing available electricity generation capacities in the EU by 70 GW compared to last winter, principally owing to increasing renewables, (over)compensate decreasing conventional thermal availability.
- The availability of nuclear generation for next winter is expected to improve compared to last year, with forecasts of increased French nuclear supply in 2023 thanks to less planned outages , and the entry into operation of Olkiluoto-3 in Finland and Mochovce-3 in Slovakia.

- Availability of hydro reserves at the beginning of the winter period is generally higher across Europe compared to same period ahead of the last winter in 2022-2023.
- Critical gas volumes in electricity generation, necessary for maintaining generation adequacy is expected to be lower by 10% compared to last winter.
- At the same time, energy consumption is expected to stagnate and peak energy demand to be lower than the average of the preceding years, upturns can only be expected in some EU countries.
- No general adequacy risks could be identified in the EU as a whole; in some regions ‘traces of risk’ can appear in the case of extreme conditions (cold weather combined with high volume of unplanned outages). This holds also true for the Energy Community, with the exception of Moldova, which remains vulnerable to external supply disruptions, and Ukraine, which continues to face targeted Russian attacks on its electricity infrastructure.
- Cross border electricity trade and cooperation will continue to play an important role in ensuring the electricity security of supply in both the EU and the Energy Community.

Beyond next winter, and to ensure that nuclear can fully play the role of a secure low carbon energy source, the Commission and Euratom Supply Agency have worked with the Member States concerned and their utilities to ensure that by 2026, **alternatives to Russian fuel for VVER reactors** currently in use in five Member States are available and contracted.

Regarding **oil security of supply**, the Commission is closely monitoring oil markets together with the International Energy Agency (IEA). Extended oil production cuts by Saudi Arabia and Russia from July 2023 increased global market tightness and drove oil prices up by more than 30% during the summer (above 95 USD/bbl in September 2023 vs 70 USD/bbl in June 2023). However, prices decreased at the end of September. Recent geopolitical events, as well as latest announcements on production cut from OPEC on 30 November, had no noticeable impacts on the prices, as oil prices continue to decline towards 82 USD/bbl plateau. The Oil Coordination Group confirmed on 27 October that the situation was under control at this stage (emergency oil stocks refilled), while close monitoring would be required in light of the situation in the Middle East.

Annex

AggregateEU – outcomes per tendering round

AggregateEU tendering rounds 2023	First round April/May 2023	Second round June/July 2023	Third round Sept/Oct 2023	Fourth round Nov/Dec 2023	Cumulative results
<i>Status</i>	<i>Closed</i>	<i>Closed</i>	<i>Closed</i>	<i>Closed</i>	
Subscriptions <i>(total)</i>	120	154	171	180	-
Demand aggregated	11.6 billion cubic metres (bcm)	15.9 bcm	16.54 bcm	10.05 bcm	54.1 bcm
Supply bids	18.7 bcm	15.2 bcm	18.1 bcm	9.13 bcm	61.13 bcm
Demand matched	10.9 bcm	12 bcm	11.86 bcm	7.35 bcm	42.11 bcm