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Subject: COUNCIL RECOMMENDATION on continuing coordinated demand-reduction measures for gas

COUNCIL RECOMMENDATION

of ...

on continuing 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 292 in conjunction with Article 194(2) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) This Recommendation aims to encourage Member States to continue the ongoing demand-reduction measures for gas adopted pursuant to Council Regulation (EU) 2022/1369¹ in order to achieve a 15 % gas demand reduction compared to the reference period from 1 April 2017 to 31 March 2022. This Recommendation also aims to encourage Member States to continue their current demand-reduction reporting to Eurostat, including a breakdown of gas consumption per sector.
- (2) Regulation (EU) 2022/1369 was adopted in view of the gas supply crisis caused by Russia's military aggression against Ukraine. It aims to reduce on a voluntary and, if necessary, mandatory basis the Union's gas demand, facilitating the filling of storage capacities, containing price volatility and ensuring better preparation against any further supply disruptions. It was adopted in view of the urgent need for the Union to react with temporary measures in a spirit of solidarity between Member States.

¹ Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas (OJ L 206, 8.8.2022, p. 1).

- (3) Pursuant to Regulation (EU) 2022/1369, Member States were to use their best efforts to reduce their gas consumption by 15 %, firstly in the period from 1 August 2022 to 31 March 2023 and, after Council Regulation (EU) 2023/706² extended the application of Regulation (EU) 2022/1369, in the period from 1 April 2023 to 31 March 2024. In the event that the voluntary demand-reduction measures proved to be insufficient in addressing the risk of a serious supply shortage, the Council, acting on a proposal from the Commission, was empowered to declare a Union alert, which would trigger a mandatory demand-reduction obligation. Member States adopted measures to reduce their respective gas demand in a spirit of solidarity that resulted in effective gas demand reductions across the Union of more than 15 % from August 2022 to December 2023.
- (4) Pursuant to Regulation (EU) 2022/1369, the Commission carried out a new review of that Regulation by 1 March 2024, in view of the general situation regarding gas supply to the Union, and presented a report on its main findings to the Council.

² Council Regulation (EU) 2023/706 of 30 March 2023 amending Regulation (EU) 2022/1369 as regards prolonging the demand-reduction period for demand-reduction measures for gas and reinforcing the reporting and monitoring of their implementation (OJ L 93, 31.3.2023, p. 1).

- (5) In its report the Commission concluded that, although the situation regarding security of gas supply has improved thanks to targeted investments and a number of measures, including demand reduction pursuant to Regulation (EU) 2022/1369, the general security of supply situation remains delicate. The global gas market remains tight and no significant increase in global liquefaction capacities is expected before 2025-2027, while other risks remain that could deteriorate the current security of supply situation. The Commission also concluded that demand reduction has significantly contributed to the phase out of approximately 65 billion cubic meters (bcm) of Russian gas in 2023, primarily in the households and industries sectors. In 2023, demand reduction has been pivotal to ending the winter with adequate storage levels and to providing the necessary flexibility in summer in order to meet the 90 % storage obligation set by Regulation (EU) 2017/1938 of the European Parliament and of the Council³.

³ 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).

- (6) Recent episodes of significant price volatility, including during the summer and autumn of 2023 when prices increased by more than 50 % within a few weeks, caused by events such as the strike in Australian liquefied natural gas (LNG) exporting facilities and the disruption of the Balticconnector pipeline, show that market prices remain susceptible even to relatively minor shocks regarding demand and supply. Under such conditions, the fear of natural gas supply becoming scarce could trigger systemic reactions across the Union with serious repercussions on energy prices. Furthermore, due to the significant decrease in Russian pipeline gas imports over the past year, the availability of overall gas supplies to the Union has considerably decreased as compared to pre-crisis conditions. In 2023, the Union has received approximately 25 bcm of Russian gas via pipelines and Russian supplies accounted for only 15 % of the Union's total imports (pipeline gas and LNG), compared to 45 % in 2021.
- (7) Due to the remaining tight supply and demand balance, gas supply disruptions can have a significant impact on gas and electricity prices and could cause harm to the economy of the Union by affecting its competitiveness and negatively impact Union citizens and undertakings. To that end, continued coordinated demand reduction by the Member States in a spirit of solidarity is recommended, among others to enable the refilling of storage capacities in an efficient way and with minimum market disturbances, which in turn contributes to ensuring the security of gas supply ahead of winter 2024-2025. Proactive and coordinated savings reduce the risk of the negative impact that potential gas shortages would have on the competitiveness of the Union industries.

- (8) Since the entry into force of Regulation (EU) 2022/1369, the level of preparedness in the gas market and the Union's security of supply have improved considerably. However, risks persist for the Union's security of energy supply as the global situation on the gas market remains tight and as prices are still higher than pre-crisis levels. That situation is exacerbated by market volatility stemming, inter alia, from tense geopolitical circumstances, currently illustrated by, among others, the crisis in the Middle East and the Red Sea. Due to the gas supply disruptions and the tightness experienced in the past months on the market, twelve Member States are still at the early warning level or alert level as defined in Regulation (EU) 2017/1938.
- (9) The possible difficulties for the security of supply are exacerbated by a number of additional risks, including the expiry by 31 December 2024 of the current agreement for the transit of Russian gas through Ukraine, through which approximately 14 bcm transited in 2023. Other risks are a possible rebound in Asian LNG demand that would reduce the availability of gas on the global gas market, a cold winter 2024-2025 that could lead to an increase in gas demand in the Union of up to 30 bcm, extreme weather events potentially affecting hydropower storage and nuclear production due to low water levels, and the subsequent increase in demand for gas-fired power generation. Additional risks result from potential disruptions of critical infrastructure, such as the acts of sabotage against the Nord Stream pipelines in September 2022 or the disruption of the Balticconnector pipeline in October 2023, and from the deteriorating geopolitical environment, in particular in countries and regions relevant to the Union's security of energy supply, such as Ukraine and the Middle East.

- (10) Global gas markets remain tight and are expected to remain so for a certain period of time. As noted by the International Energy Agency (IEA) in its Medium-Term Gas Report 2023, global LNG supply grew only modestly in 2022 (by 4 %) and in 2023 (by 3 %). In its World Energy Outlook 2023, the IEA notes that market balances are expected to remain precarious in the immediate future until new LNG capacities come online, which is set to happen in the period 2025-2027.
- (11) The recently adopted Directives (EU) 2023/1791⁴ and (EU) 2023/2413⁵ of the European Parliament and of the Council will help to achieve the Union's decarbonisation goals and to structurally reduce demand in the near future, in line with the COP28 Global Stocktake which recognises the need to transition away from fossil fuels in the energy systems in a just, orderly and equitable manner. Although the measures that Member States are to adopt to transpose those Directives will largely not yet be in force during the period of application of this Recommendation, such measures will contribute to a gas demand reduction in the years after the transposition of those Directives. Considering that some important measures set out in those Directives will only have to be transposed by October 2025, it is appropriate to recommend that gas demand be reduced during the transitional period until the transposition of those Directives has taken place.

⁴ Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (OJ L 231, 20.9.2023, p. 1).

⁵ Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652 (OJ L, 2023/2413, 31.10.2023, ELI: <http://data.europa.eu/eli/dir/2023/2413/oj>).

- (12) Gas demand reduction by Member States can contribute in particular to the filling of underground storage facilities, to ensure adequate levels of security of supply for winter 2024-2025 and to avoid perpetuating shortages in storage filling to winter 2025-2026. Continuing to reduce gas demand will also help keep downward pressure on prices, to the benefit of Union consumers and of industrial competitiveness.
- (13) The recommendation to save gas should not affect the need to adhere to Member States' decarbonisation objectives. This Recommendation therefore should not disincentivise Member States from continuing to switch from coal to gas, for instance for electricity generation, if such switching helps Member States achieve their decarbonisation objectives, as set out in their integrated national energy and climate plans established under Regulation (EU) 2018/1999 of the European Parliament and of the Council⁶.

⁶ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

- (14) The demand-reduction provisions of this Recommendation continue to acknowledge specific circumstances. When deciding on demand-reduction measures for gas, Member States may consider taking account of such specific circumstances by, among others, lowering the recommended gas demand-reduction target where a Member State faces an electricity crisis, as referred to in Regulation (EU) 2019/941 of the European Parliament and of the Council⁷. Such a scenario could include a limitation proportional to a significantly increased use of gas for power generation, required to export significantly more electricity to a neighbouring Member State, due to exceptional circumstances, such as low hydropower or nuclear availability in the Member State concerned, or in a neighbouring Member State to which significantly more electricity is exported,

HAS ADOPTED THIS RECOMMENDATION:

⁷ Regulation (EU) 2019/941 of the European Parliament and of the Council of 5 June 2019 on risk-preparedness in the electricity sector and repealing Directive 2005/89/EC (OJ L 158, 14.6.2019, p. 1).

1. Without prejudice to their obligations pursuant to Regulation (EU) 2017/1938, Member States are recommended to address a situation of difficulties in the supply of gas, with a view to safeguarding the Union's security of gas supply, in a spirit of solidarity, through improved coordination of, monitoring of and reporting on national demand-reduction measures for gas.
2. For the purpose of this Recommendation, the following definitions apply:
 - (a) '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 storage capacities, in line with the definition for 'supply, transformation and consumption of gas' used by the Commission (Eurostat);
 - (b) 'reference period' means the period from 1 April 2017 to 31 March 2022;
 - (c) 'reference gas consumption' means the volume of a Member State's average gas consumption during the reference period; for Member States where gas consumption increased at least by 8 % in the period from 1 April 2021 to 31 March 2022 compared to the average gas consumption during the reference period, 'reference gas consumption' means only the volume of gas consumption in the period from 1 April 2021 to 31 March 2022;
 - (d) 'feedstock' means 'non-energy use of natural gas' as referred to in energy balances calculations by the Commission (Eurostat).

3. Member States are recommended to reduce their gas consumption over the period from 1 April 2024 to 31 March 2025 (the ‘reduction period’) by at least 15 % compared to their average gas consumption in the reference period.
4. For the purpose of reducing gas consumption in each Member State over the reduction period, gas demand is recommended to be 15 % lower compared to its reference gas consumption.
5. This Recommendation is not addressed to a Member State whose electricity system is synchronised only with the electricity system of a third country in the event it is desynchronised from that third country's system and for as long as isolated power system services or other services to the power transmission system operator are required to ensure the safe and reliable operation of the power system.
6. This Recommendation is not addressed to a Member State for as long as that Member State is not directly interconnected to a gas interconnected system of any other Member State.

7. For the purposes of the gas demand-reduction target referred to in point 4, Member States deciding on demand-reduction measures for gas may consider taking into account specific circumstances by:
- (a) deducting from the reference gas consumption used for calculation of the demand-reduction target the volume of gas equal to the difference between their intermediate target for 1 August 2022 set out in Annex 1a to Regulation (EU) 2022/1032 of the European Parliament and of the Council⁸ and the actual volume of stored gas on 1 August 2022, where they fulfilled the intermediate target on that date;
 - (b) deducting from the reference gas consumption used for calculation of the demand-reduction target the volume of gas consumed during the reference period as feedstock;
 - (c) adjusting the reference gas consumption used to calculate the demand-reduction target by deducting the volume of increased gas consumption resulting from the switch from coal to gas used for district heating, where that increase is of at least 8 % in the period from 1 August 2023 to 31 March 2024 compared to the average gas consumption during the reference period and to the extent that that increase is directly attributable to that switch;

⁸ Regulation (EU) 2022/1032 of the European Parliament and of the Council 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).

- (d) lowering the demand-reduction target by 8 percentage points, if their interconnection with other Member States measured in firm technical export capacity compared to their yearly gas consumption in 2021 is below 50 % and that capacity on interconnectors to other Member States has in fact been used for the transport of gas at a level of at least 90 % in the preceding month, unless the Member States can show that there was no demand and the capacity was maximised, and that their domestic LNG facilities are commercially and technically ready to redirect gas to other Member States up to the volumes required by the market;
 - (e) temporarily lowering the demand-reduction target to mitigate the risk for electricity supply that could potentially result in an electricity crisis on their own territory or in a neighbouring Member State, especially if there are no economic alternatives to replace the gas necessary for producing electricity without seriously endangering security of supply. Where a Member State decides to lower the demand-reduction target, it is recommended to inform the Commission of its decision and the reasons therefore.
8. The measures chosen by Member States to reduce demand should be clearly defined, transparent, proportionate, non-discriminatory and verifiable.
9. When taking demand-reduction measures for gas affecting customers, other than protected customers as defined in Article 2, point 5, of Regulation (EU) 2017/1938, Member States are recommended to follow objective and transparent criteria which 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 for reducing consumption and substituting products in the Union.
10. When deciding on demand-reduction measures for gas, Member States are recommended to 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, to promote switching to renewable fuels and reduce consumption by industry.
11. Member States are recommended to inform the Commission of demand-reduction measures for gas which have not been notified to the Commission pursuant to Regulation (EU) 2022/1369.
12. Member States are recommended to continue monitoring the implementation of any demand-reduction measures for gas on their territory and reporting on their gas consumption (in terajoules, TJ) to the Commission via Eurostat at least every two months and not later than by the 15th day of the following month.
13. It is recommended that reporting to Eurostat include a breakdown of gas consumption per sector, including gas consumption for the following sectors:
- (a) gas input for electricity and heat generation;

(b) gas consumption in industry;

(c) gas consumption in households and services.

14. For the purpose of point 2(a) and (d), point 12 and point 13, the definitions and statistical conventions established in Regulation (EC) No 1099/2008 of the European Parliament and of the Council⁹ should be considered relevant.

15. The Commission is recommended to support the implementation of this Recommendation, together with the Gas Coordination Group established by Article 4 of Regulation (EU) 2017/1938, by monitoring the demand reduction achieved per sector and the demand-reduction measures for gas taken.

Done at ...,

For the Council

The President

⁹ Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics (OJ L 304, 14.11.2008, p. 1).