



Council of the European Union  
General Secretariat

**Brussels, 22 July 2022**

**WK 10682/2022 INIT**

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## **WORKING DOCUMENT**

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**From:** General Secretariat of the Council  
**To:** Working Party on Energy

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**Subject:** Proposal for a COUNCIL REGULATION on coordinated demand reduction measures for gas  
- Presentation by the Commission

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Following the Working Party on Energy on 22 of July 2022, delegations will find attached the presentation made by the Commission.



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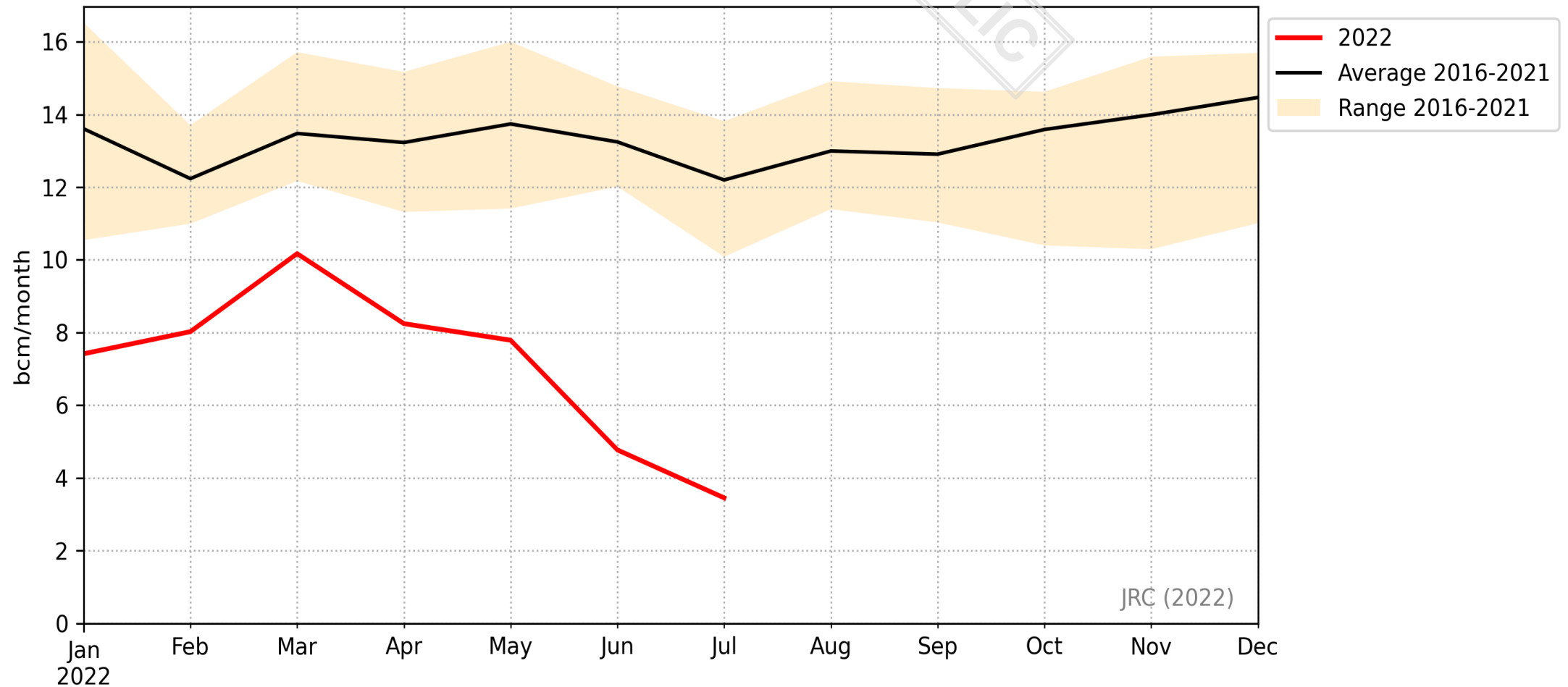
# Winter Preparedness Package

22.07.22

*EWP*

# Why the Regulation?

## Pipeline flows from Russia



# Our full set of tools

## Security of Supply framework

EU Gas SoS Regulation

New Storage Regulation

National contingency plans

## EU Energy Platform

REPowerEU

EU Save Energy Plan

**NEW: WINTER PREPAREDNESS  
PACKAGE  
EU COORDINATED DEMAND RESPONSE**

**Diversification  
of sources and routes**

**EU infrastructure  
(reverse flows, etc)**

# Energy winter preparedness package

1. **Save Gas for a Safe Winter**  
*(Communication)*
2. **Guidelines on an European Gas Demand Reduction Plan** *(annex to communication)*
3. **Proposal for a Council Regulation** on voluntary demand reduction measures, possibility to call a **'Union Alert'** triggering mandatory reductions, reinforced governance.



## Existing crisis levels

### National early warning\*

- Serious deterioration of supply, likely to lead to alert or emergency
- Daily reporting obligation to companies
- Market-based measures, e.g. information campaigns

### National alert\*

- Disruption of supply or exceptionally high gas demand
- Market still able to manage disruptions without non-market-based measures
- Market-based measures, e.g. interruptible contracts, promoting fuel switching

### National emergency

- Exceptionally high demand or significant supply disruption
- All relevant market-based measures are implemented
- Supply insufficient to meet demand
- Non-market-based measures

### EU/regional emergency

- The Commission may declare upon the request of a Member State.
- Commission must declare if the request comes from at least two Member States
- Coordinate emergency measures, e.g. obligatory storage withdrawal or filling

## New crisis level

### Art 122: EU alert

- Significant deterioration of the supply situation
- Market is still functioning
- Requested by two Member States
- Mandatory reduction
- Inform GCG of demand reduction measures and integrate in national emergency plans
- Use of the guidelines in the plan (auctions, fuel switch, prioritisation criteria of groups of customers)

\* 11 Member States have declared early warning (IT, LV, AT, DE, HR, FI, EE, DK, NL, SE, and most recently on 12 July also SI). One Member State has moved to the alert level (DE).


# Gas demand reduction required



Aug-Mar Demand (8 months, avg. last 5 years)	Demand Reduction required	Trajectory since early '22 (high prices, early savings)	GAP to be covered	Storage Filling levels	Comments
300 bcm	- 10% = 30 bcm	15 bcm (-5%)	<b>15 bcm (-5%)</b>	71% in Oct '22 0% in Apr '23 41% in Oct '23	<ul style="list-style-type: none"> <li>• Average winter (50% chance)</li> <li>• Storage in April '23 is empty</li> <li>• LNG at max. capacity</li> <li>• 13 bcm can be saved by EU Save Plan</li> </ul>
300 bcm	- 15% = 45 bcm	15 bcm (-5%)	<b>30 bcm (-10%)</b>	71% in Oct '22 15% in Apr '23 56% in Oct '23	<ul style="list-style-type: none"> <li>• Avg. /cold winter (~70% chance)</li> <li>• Either cold winter OR non-depleted storages</li> <li>• LNG at max. capacity</li> <li>• 13 bcm can be saved by EU Save Plan</li> <li>• Higher impact on industry</li> </ul>

# Economic impact

## Acting now

- Less costly to proactively and reduce demand in coordination
-  Choice for August
- Decreases the cost by one third
- Decreases GDP by around 0.6-1%
- Differs significantly per MS

## Ad hoc reaction to supply cuts

- More costly to react to sudden supply cuts
- Increases the cost by one third
- Decreases GDP by 0.9% - 1,5%
- Differs significantly per MS

# Gas Demand Reduction Regulation



EUROPEAN  
COMMISSION

Brussels, 20.7.2022  
COM(2022) 361 final

2022/0225 (NLE)

Proposal for a

**COUNCIL REGULATION**

**on coordinated demand reduction measures for gas**

# Gas Demand Reduction Regulation

## Main issues:

- ‘Art. 122’ crisis measure – solidarity-based, time-limited
- Principle: Same reduction for all – why no “tailor-made” gas reduction targets?
- Alert declaration: Who proposes – who declares? Effects
- Art. 5: Reduction obligation – which period? Do reductions before alert count?
- Art. 5: Reduction obligation – possibility to apply for decreased reduction target



# 'Art. 122' crisis measure

Article 122 TFFEU:

1. Without prejudice to any other procedures provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy.

- **Process: COM proposal => Council QMV**  
(no formal Parliament involvement)
- **Content: Solidarity must be part of proposal; time-limitation (≠ Codecision)**

# Principle: Same reduction for all

## Why no “tailor-made” gas reduction targets?

(13) With a view to the significant distortions of the internal market which are likely to occur if Member States react in an uncoordinated manner to a potential or actual further Russian supply disruption, **it is crucial that all Member States reduce their gas demand** in a spirit of solidarity. (...) While some Member States may be more exposed to the effects of a disruption of Russian supplies, **all Member States will be negatively affected and can contribute to limit the economic harm** of such disruption, be it by freeing up additional volumes of pipeline gas or LNG cargoes which can be used by Member States with significant gas deficits, be it by the positive effect on gas prices which a demand reduction is likely to have, be it by avoiding market distortions through uncoordinated and contradicting demand reduction measures. This Regulation therefore reflects the principle of **energy solidarity**, which has recently been confirmed by the Court of Justice as a fundamental principle of EU law (ECJ – “OPAL”).

# Principle: Same reduction for all

## Why no “tailor-made” gas reduction targets?

- Principle: Same reduction for all
- Rationale: Economic crisis, not only “gas crisis”
  - All are economically affected, not only customers of RU gas; all can help:
  - Domestic gas demand reduction has positive impact for all others (=> supply chains, inflation, public security, security of supply).
  - Price effects, sharing scarce gas, securing own supply chains, ...

Country A (no RU user)  
*no demand reduction*



Country B (RU gas user)  
may close industry;  
prices & inflation up

Supply chain problems;  
prices & inflation up



# Art. 4: Alert declaration: Who proposes – who declares? Effects

- **Who proposes:** Commission or three (or more) MS (or other stakeholders)
  - **Trigger:**
    - “alert situation” pursuant to Art. 11(2) Gas-SOS-Regulation
    - COM: discretion: “may” declare on own initiative; “may” declare if 3 or more MS ask
- => Advantage: fast & simple - one-step procedure*
- **Effect:**
    - **Only effect:** Demand reduction obligation and coordination & reporting
    - **No interference with national levels under SOS-Regulation – complements SOS-Regulation, does not substitute it** (COM proposal: EU alert does not trigger national alerts; does not disappear in case of emergency)

# Art. 5: Reduction obligation - Do reductions before alert count?

- **Mandatory reduction obligation only as of alert** (may be 1.8., may be later) **until 31.3.** (i.e. mandatory reduction period may be shorter than 1.8.-31.3.)
- **-15% during the 8-months-period (1.8.22-31.3.23) - compared to “normal” consumption during this 8-months-period pre-crisis (=> 5-year average):**

*Example 1 (alert on 1.10)*

- Pre-crisis consumption (5-y-average) 100
- Consumption at 1.10.22: 100
- Further mandatory reduction until 31.3.23: 15%
  
- Pre-crisis consumption (5-y-average) 100
- Consumption at 1.10.22: already 10% reduction between 1.8 and 1.10.22
- Further mandatory reduction until 31.3.23: => reduction (1.8 to 1.10.) counts for target

# Art. 5: Reduction obligation – Possibility to apply for decreased target

- **Important:** Basic construction of the act: no catalogue of criteria for individual gas reduction values, but joint effort from all, same reduction target.
- Problem:
  - Gas demand reduction in each country helps the Union (lower prices, free volumes, etc.),
  - BUT: Some countries can only contribute to a lesser extent to increasing the direct or indirect supply of gas to other Member States, due to no or limited interconnection (e.g. islands).
  - Proposal: Rebate of 5% (as they may still be able to contribute a bit by their reductions)
- Other issues:
  - Special situation of countries with high share of gas-fired power plants and hydropower?
  - Special situation for Baltic countries (desynchronisation phase)?
- (!) Every deduction/exemption endangers the goal to reach a “safe winter” (-45bcm)
- Act designed on basis of solidarity; if individual treatment for many, different act necessary => complex

# Back up slides

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# Gas saving measures

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## 1. Switch away from gas

- **Fuel switch in industry and power and heat sectors:** preferably towards renewables and cleaner energy sources; nuclear where feasible; coal and other heavy fuels where necessary and on a temporary basis
- **State Aid schemes** possible to support costs
- **Case-by-case derogations** to be considered on an exceptional and temporary basis for certain environmental regulations



# Gas saving measures

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## 2. Incentivise consumption reduction

- Auctioning or tender systems to incentivise and compensate **reduction of consumption** by large companies;
- State Aid schemes possible to support costs
- **Interruptible contracts** for gas consumption, to allow for reduced use when needed
- **Contract swaps** between industrial consumers, to allow production to be carried out in less affected regions in case of large shortage



# Gas saving measures

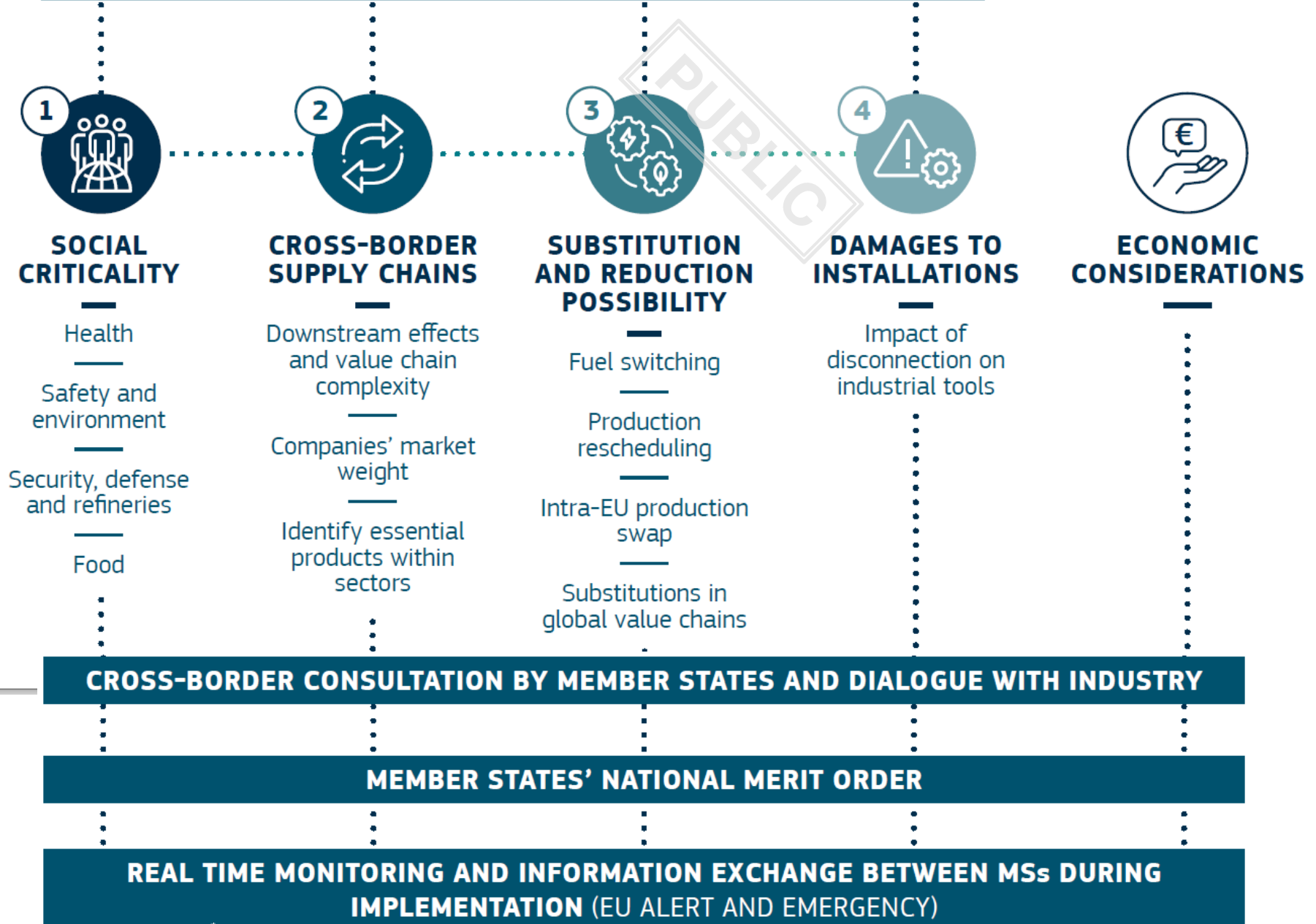
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## 3. Reduce heating and cooling

- National **public awareness raising campaigns** in all Member States complementing the EU Save Energy Plan
- Mandatory reduction in public authorities' buildings
- Consumption reduction in commercial centers, offices and public spaces
- **New temperature and hourly thresholds** for heating and district heating in the household sector using gas

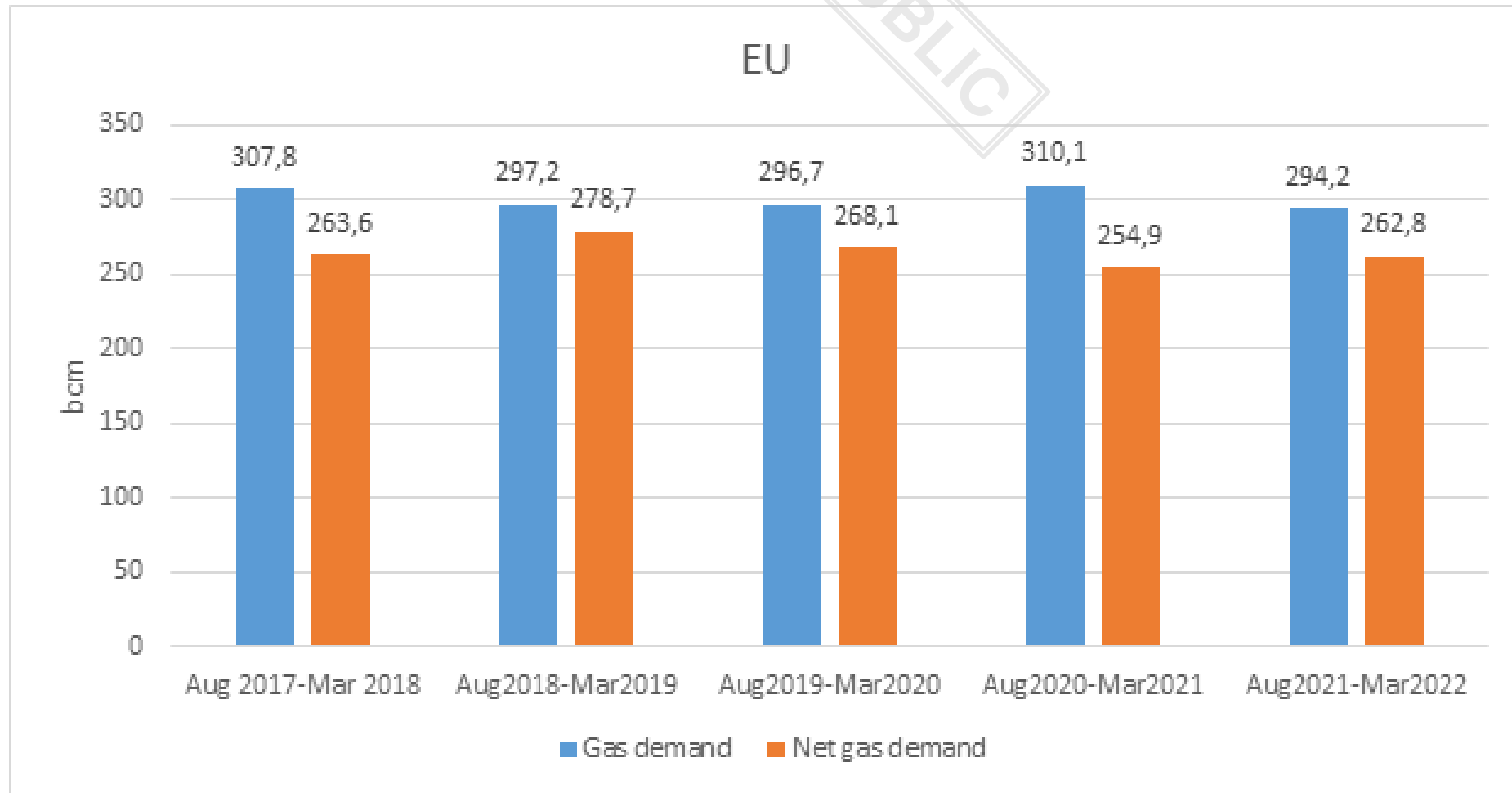


## COMMISSION GUIDANCE - PRIORITISATION CRITERIA



# With or without storage

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# Demand per sector in all Member States (Jan-Dec)

	Industry	Commercial and public services	Households	Electricity only	CHP	Others
<b>EU - 27</b>	107,58	42,12	95,89	54,07	64,00	35,89
Austria	3,63	0,42	1,74	0,79	1,55	0,78
Belgium	6,10	2,15	3,74	2,80	2,17	1,51
Bulgaria	1,22	0,12	0,12	0,06	0,76	0,79
Czechia	2,60	1,29	2,27	0,89	0,67	1,16
Denmark	0,81	0,24	0,72	0,00	0,32	0,90
Germany	26,77	12,14	26,55	6,82	14,60	4,20
Estonia	0,12	0,09	0,07	0,00	0,01	0,14
Ireland	1,14	0,51	0,72	2,79	0,34	0,07
Greece	0,91	0,17	0,54	3,32	0,58	0,49
Spain	10,37	2,20	4,24	8,79	4,23	4,28
France	13,41	6,47	13,13	4,33	2,85	2,63
Croatia	0,96	0,24	0,59	0,01	0,88	0,41
Italy	10,66	8,17	19,45	11,03	18,22	3,73
Cyprus						
Latvia	0,12	0,14	0,13	0,00	0,45	0,27
Lithuania	1,46	0,08	0,21	0,00	0,41	0,24
Luxembourg	0,28	0,09	0,32	0,00	0,07	0,01
Hungary	2,35	1,30	3,70	0,85	1,23	1,29
Malta	0,00	0,00	0,00	0,39	0,00	0,00
Netherlands	9,04	3,11	7,72	7,25	6,29	5,20
Poland	7,21	1,40	4,69	0,00	3,56	4,02
Portugal	1,49	0,24	0,36	2,39	1,49	0,35
Romania	3,25	0,93	3,32	1,14	1,70	1,36
Slovenia	0,55	0,03	0,13	0,01	0,13	0,04
Slovakia	1,48	0,43	1,40	0,39	0,55	0,74
Finland	0,79	0,03	0,03	0,03	0,91	0,80
Sweden	0,88	0,12	0,02	0,00	0,04	0,47

# Projected storage

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