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WORKING DOCUMENT

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
- Comments from Member States

Delegations will find, attached, comments from **DENMARK** on the above mentioned subject.

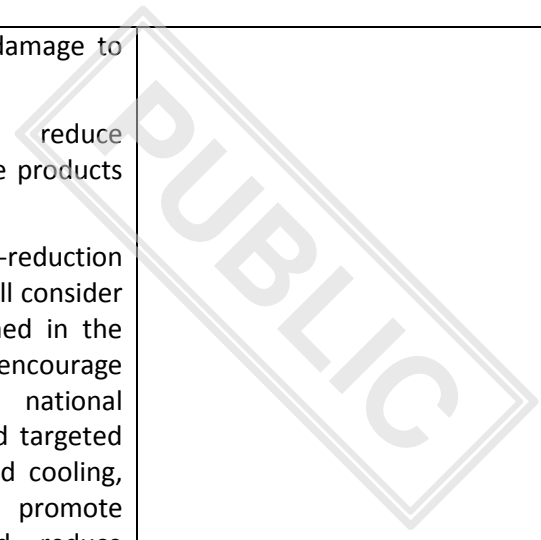
Danish comments to the European Commission’s proposal for Council regulation on coordinated demand reduction measures for gas”

Article	Content	Danish comments
1	<p style="text-align: center;">Subject matter and scope</p> <p>This Regulation establishes rules to address a situation of severe difficulties in the supply of gas, with a view to safeguarding the EU security of gas supply, in a spirit of solidarity. These provisions include improved coordination, monitoring and reporting on national gas demand reduction measures and the possibility for the Commission to declare a Union alert as a specific crisis level, triggering a compulsory Union-wide demand reduction obligation.</p>	<p>DK supports the overall aim to have improved coordination and monitoring of gas demand between MS.</p> <p>A possibility to declare a Union Alert could be a useful instrument if it is used in a reasonable manner.</p>
2	<p style="text-align: center;">Definitions</p> <p>For the purposes of this Regulation, the following definitions apply:</p> <p>(1) ‘competent authority’ means a national governmental authority or a national regulatory authority designated by a Member State to ensure the implementation of the measures provided for in Regulation (EU) 2017/1938.</p> <p>(2) “Union alert” means a Union-specific crisis level triggering a mandatory demand reduction and which is not related to any of the crisis levels pursuant to Article 11(1) of Regulation (EU) 2017/1938.</p>	<p>The Union Alert is introducing a new crisis level, but is partly connected to the alert level in the SOS Regulation.</p> <p>Why does a Union Alert not relate to the other crisis levels?</p> <p>Our understanding is, that it would be the crisis level before a Union Emergency, where the supply situation is challenged but the marked is still working.</p>
3	<p style="text-align: center;">Voluntary demand reduction</p> <p>Member States shall use their best efforts to reduce their national gas consumption between 1 August 2022 and 31 March 2023 at least by 15% compared to their average consumption between 1 August and 31 March during the five years preceding the entry into force of this Regulation (‘voluntary demand reduction’). Articles 6, 7 and 8 shall apply to those voluntary demand reduction measures.</p>	<p>We are generally positive towards the provision. Could support the level of reduction as proposed.</p> <p>Why does the proposal operate with consumption between 1 August and 31 March instead of yearly consumption?</p> <p>We suggest that the demand reduction is calculated from already accessible data for gas consumption. There are already data available, which relates to</p>

		<p>both monthly and yearly consumption.</p> <p>DK suggests that it is specified exactly how the reduction demand should be calculated in appendix to the regulation.</p> <p>The gas consumption is largely dependent on outside temperature. Has the COM considered if outside temperature should affect the demand reduction?</p>
4	<p>Declaration of a Union alert by the Commission</p> <ol style="list-style-type: none"> 1. The Commission may declare a Union alert only when there is a substantial risk of a severe gas supply shortage or an exceptionally high demand of gas occurs, for which the measures in Article 3, as reported on according to Article 8, are not sufficient, and which results in a significant deterioration of the gas supply situation in the Union, but where the market is still able to manage that disruption without the need to resort to non-market based measures. 2. The Commission may, after consultation of the relevant risk groups, as established in Annex I of Regulation (EU) 2017/1938 and the GCG taking into account any views expressed by the Member States in that context, declare the Union alert on its own initiative or following a the request of at least three competent authorities that have declared an alert at national level pursuant to Article 11(1) of Regulation (EU) 2017/1938, or on its own initiative. 3. When the Commission considers, following an assessment, that the underlying basis for the Union alert no longer justifies the declaration of a Union alert, it shall, after consultation of the relevant risk groups, as established in Annex I to Regulation (EU) 2017/1938 and the GCG, taking into account any views expressed by the Member States in that context, declare an end to the Union alert and to the obligations pursuant to Article 5. 	<p>DK finds it important that a sufficient involvement of Member States has to be ensures before a union alert can be declared.</p> <p>We therefore support that the Commission will have to consult the relevant risk groups and gas coordination group before declaring Union Alert. Furthermore, we support that it is only in the event of a severe gas supply shortage that Union Alert can be declared.</p> <p>DK would also be open for suggestions to given a larger role to the Member States. However, it would be important that a procedure as such can be conducted fast enough - within a maximum of 1-2 days as indicated by the COM.</p>

5	<p style="text-align: center;">Mandatory demand reduction in case of a Union alert</p> <ol style="list-style-type: none"> 1. Where the Commission declares a Union alert, each Member State shall reduce its natural gas consumption in accordance with the methodology set out in paragraph 2 ('mandatory demand reduction'). 2. For the purpose of mandatory demand reduction, for as long as the Union alert is declared, overall consumption of natural gas in each Member State over a period from 1 August of each year until 31 March of the following year ('implementation period') shall be reduced by at least 15% compared to that Member State's average consumption over the period between 1 August and 31 March ('comparison period') during the five consecutive years preceding the date of entry into force of this Regulation. Any voluntary demand reductions achieved by Member States during the implementation period before the alert was declared shall be taken into account for the purpose of the mandatory demand reduction. 3. <u>Member States may request to limit the mandatory demand reduction by a maximum of 5%, provided they can demonstrate that they cannot, due to no or limited interconnection with other Member States, substantially contribute to increasing the direct or indirect supply of gas to other Member States.</u> 4. <u>Member States who request a derogation from the mandatory demand reduction pursuant to paragraph 3 shall submit evidence that their interconnector capacities with other Member States or their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent and not harming the integrity of the single market and the security of supply of other Member States.</u> 5. <u>Before deciding on the request for a reduced mandatory demand reduction, the Commission shall consult the GCG, the risk</u> 	<p>We are generally positive towards the provision on setting a mandatory reduction target for natural gas. Could support the level as proposed.</p> <p>Art. 3 only concerns voluntary demand reduction between 1 August 2022 and 31 March 2023, but art. 5 concerns mandatory demand reduction from both 1 August 2022 to 31 March 2023 and 1 August 2023 to 31 March 2024. How should the mandatory demand reduction for 31 March 2023 and 1 August 2023 to 31 March 2024 be calculated? Is this based on a new 'comparison period'? Same question here as for art. 3: Why does the proposal operate with consumption between 1 August and 31 March instead of yearly consumption? There are already data available, which relates to yearly consumption.</p> <p>Same question here as for art. 3: The gas consumption is largely dependent on outside temperature. Has the COM considered if outside temperature should affect the demand reduction?</p> <p>DK proposes that no further exceptions are introduced regarding the demand reduction.</p> <p>It should be added that Member States which is in a position to request for a reduction of the mandatory demand reduction also should act in a way that does not harm the integrity of the single market and the</p>
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	<p><u>groups and, as appropriate, other relevant bodies.</u></p> <p>6. The Commission shall decide on the request at the latest within two months after having received all the relevant information from the Member State.</p> <p>7. Articles 6, 7 and 8 shall apply to mandatory demand reduction measures.</p>	<p>security of supply in other Member States.</p>
6	<p>Measures to achieve the demand reduction</p> <p>1. Member States shall be free to choose the appropriate measures to reduce demand. The measures shall be clearly defined, transparent, proportionate, non-discriminatory and verifiable. When selecting the measures, Member States shall take into account the principles set out in Regulation (EU) 2017/1938. The measures shall in particular:</p> <ul style="list-style-type: none"> (a) not unduly distort competition or the proper functioning of the internal market in gas, or endanger the security of gas supply of other Member States or of the Union; (b) be market-based; (c) ensure uninterrupted supply of gas to protected customers or other customer groups pursuant to Articles 2(5) and 7 of Regulation (EU) 2017/1938. <p>2. When taking demand-reduction measures, Member States shall prioritise the measures affecting non-protected customers on the basis of objective and transparent criteria which shall take into account their economic importance as well as, among others, the following elements:</p> <ul style="list-style-type: none"> (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; 	<p>DK supports flexibility for MS to choose their own measures.</p> <p>DK supports that the measures in a Union alert situation should be market-based.</p> <p>DK also support that in reduction of supply affecting non-protected customers should take into account the impact of production of products critical for society. DK would prefer more flexibility for MS to prioritize gas to the critical non-protected costumers before less critical protected costumers.</p>

	<p>(c) the potential long-lasting damage to industrial installations;</p> <p>(d) the possibilities to reduce consumption and substitute products in the Union.</p> <p>3. When deciding the demand-reduction measures, the Member States shall 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, and market-based measures to promote switching to other fuels and reduce consumption by industry.</p>	
7	<p>Coordination of demand reduction measures</p> <p>1. To ensure appropriate coordination of voluntary and mandatory demand reduction measures pursuant to Articles 3 and 5, Member States shall cooperate with each other within each of the relevant risk groups.</p> <p>2. The competent authority of each Member State shall update its national emergency plan established pursuant to Article 8 of Regulation (EU) 2017/1938 by [31 September 2022] at the latest, to reflect voluntary demand reductions. Each Member State shall also update its national emergency plan, as appropriate, in case of a declaration of a Union alert pursuant to Article 4. Articles 8(6) to (10) of Regulation (EU) 2017/1938 shall not apply to the updates of the national emergency plans pursuant to this paragraph.</p> <p>3. Member States shall consult the Commission and the relevant risk groups before adopting the revised emergency plans. The Commission may call for meetings of the GCG and the risks groups taking into account any views expressed by the Member States in that context, to discuss issues related to national demand reduction measures.</p>	<p>DK supports that coordination is relevant and that the national emergency plans should be updated.</p> <p>According to Regulation 2017/1938 an update of the emergency plans are also approaching. Would it be possible to merge these revisions in order to minimize the administrative burdens for the competent authorities?</p>

8	<p style="text-align: center;">Monitoring and enforcement</p> <ol style="list-style-type: none"> 1. The competent authority of each Member State shall monitor the implementation of the demand-reduction measures on their territory. Member States shall report on demand-reduction measures taken and demand reduction achieved to the Commission every two months and not later than by the 15th of the following month. The GCG and the risk groups shall assist the Commission in the monitoring of the voluntary and mandatory demand reduction. 2. Where the Commission identifies, on the basis of the reported demand reduction figures, a risk that a Member State will not be able to fulfil the mandatory demand reduction obligation pursuant to Article 5, the Commission shall request the Member State to submit a plan setting out a strategy and measures to effectively reach the demand reduction obligation. The Commission shall also request a Member State requesting a solidarity measure pursuant to Article 13 of Regulation (EU) 2017/1938 to submit a plan setting out the strategy and measures to achieve possible further gas demand reductions, in line with Article 13(3)(b) of Regulation (EU) 2017/1938. In both cases, the Commission shall, issue an opinion with comments and suggestions on the submitted plans of which the Member State shall take due account and inform the Council of its opinion. 3. The Commission shall inform the European Parliament and the Council regularly about the implementation of this Regulation. 	<p>This requirement will cause administrative burdens for the competent authorities. In order to minimize the burdens could a distinction between voluntary and mandatory demand-reduction measures be made? E.g. two months reporting obligation if it is mandatory demand-reduction measures and three months if it is voluntary.</p> <p>In relation to question in art. 3: DK would suggest, that it is specified which data the competent authorities should use. It could be monthly statistical data, which in Denmark would mean that there is a 2-month delay in updating. Another possibility is to use TSO/ENTSOG-data. These data are updated daily but not necessarily validated.</p>
9	<p style="text-align: center;">Entry into force and application</p> <p>This Regulation shall enter into force on the day following that of its publication on the Official Journal of the European Union.'</p> <p>It shall apply for a period of two years from its entry into force.</p>	<p>DK supports that the proposal has a clear sunset clause so that it should only apply for a maximum of two years.</p>

By 1 August 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. The Commission may, based on that report, propose to prolong or shorten the validity of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

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