

Energy Prices in the EU – ACER report

Joint Statement from AT DE DK EE FI IE LU LV NL

1 December 2021

Following the discussion in the European Council on the 21st of October, the discussion in the extraordinary Energy Council on the 26th of October and the publication of the preliminary analyses by ACER and ESMA on the 15th of November and the 18th of November respectively;

We reiterate the importance of the toolbox that the European Commission presented towards Member States to address the rising prices within the current European framework for climate and energy. We agree with the European Commission that in the short term, the price hike can be best addressed through temporary and targeted national actions by Member States, where appropriate, to protect vulnerable consumers and businesses.

We share the analysis of the European Commission and ACER regarding the causes of the current price spike lying primarily in the encouraging global economic recovery and further fossil fuels demand and supply factors.

We underscore the notion put forward by ACER that a well-functioning EU electricity market is crucial to (i) use energy resources efficiently across Europe, (ii) provide effective investment signals for new capacity to balance supply and demand, (iii) improve the security of supply, and (iv) support the integration of renewable generation resources to contribute to the decarbonisation of our energy system.

We also agree with the analysis by ACER that the current EU electricity market design incentivises and facilitates emerging flexibility technologies and business models that can smooth volatility on the electricity market, such as demand side response, aggregation and large or small-scale storage. These flexibility options are needed to increase the efficiency of our energy system and thus make the transition towards a decarbonized energy system cost-effective for our citizens, both as consumers and taxpayers.

We reiterate the need to increase cross-border capacity and trade of electricity to augment competition and affordability and to facilitate the market integration of renewable generation across borders within the EU.

We refer to the analysis by ACER that alternative market design approaches, e.g. in the form of price caps or technology-dependent average prices based on the national mix, may seriously risk to:

- Endanger security of supply, as with a price regulation a large number of market participants may be unable to recover their investment costs over time, warranting market exit decisions and discouraging new entrants;
- Increase the costs of the integration of variable renewable energy generation in the long-run, as there would not be sufficient market signals for the flexibility options needed;
- Undermine the integration of the European electricity market, as the possibility for Member States to apply its own 'fair price' concept may discourage electricity trading, thereby limiting the possibility for Member States to mitigate price and system shocks via trade with neighbouring countries.

Therefore, we cannot support any measure that would represent a departure from the competitive principles of our electricity and gas market design. Deviating from these principles would undermine the cost-effective decarbonisation of our energy system, jeopardise affordability and risk security of supply.

As already proposed by ACER, the final analysis by April 2022 could look at further options within the existing market framework. They should aim to decrease revenue risk for renewable electricity generation and improve hedging possibilities and market transparency. An exchange of best practices and practical guidelines regarding the use of market based price hedging instruments could also be explored with the focus to increase protection of final consumers.

We uphold our analysis that it is of utmost importance to swiftly proceed with the treatment of the Fit-for-55 package to deliver on the 2030 targets and achieve climate neutrality by 2050. A well-managed energy transition is not the cause, but part of the solution to keep prices affordable and predictable.