



Commission makes additional proposals to fight high energy prices and ensure security of supply

Strasbourg, 18 October 2022

The Commission is today proposing a new emergency regulation to address high gas prices in the EU and ensure security of supply this winter. This will be done through joint gas purchasing, price limiting mechanisms on the TTF gas exchange, new measures on transparent infrastructure use and solidarity between Member States, and continuous efforts to reduce gas demand. The regulation contains the following main elements:

- Aggregation of EU demand and **joint gas purchasing to negotiate better prices** and reduce the risk of Member States outbidding each other on the global market, while ensuring security of supply across the entire EU;
- Advancing work to create a new LNG pricing benchmark by March 2023; and in the short term **proposing a price correction mechanism** to establish a **dynamic price limit** for transactions on the TTF gas exchange, and a temporary **collar or bandwidth** to prevent extreme price spikes in derivatives markets;
- **Default solidarity rules** between Member States in case of supply shortages, extending the solidarity obligation to Member States without direct pipeline connection to involve also those with LNG facilities; and a proposal to create a **mechanism for gas allocation** for Member States affected by a regional or Union gas supply emergency.

In combination with already agreed measures on gas and electricity demand reduction, gas storage, and redistribution of surplus energy sector profits, these new steps will **improve stability on European gas markets this winter and beyond**. The measures will also help to further mitigate the price pressure felt by European citizens and industry, while ensuring security of supply and a functioning internal market. The Commission will continue its work in other areas, including revision of the State aid Temporary Crisis Framework later this month, and further development of ways to limit the impact of high gas prices on electricity prices.

In addition, the Commission will carry out a needs assessment on REPowerEU to speed up the clean energy transition and avoid fragmentation in the single market, with a view to making proposals to **enhance the EU financial firepower for REPowerEU**. The Commission is also proposing a **targeted flexible use of Cohesion Policy funding** to tackle the impact of the current energy crisis on citizens and businesses, using up to 10% of the total national allocation for 2014-2020, **worth close to €40 billion**.

Joint purchasing

While the EU has made strong progress on filling its gas storage for this winter, achieving over 92% filling as of today, we need to prepare for possible further disruption, and lay a sound foundation for the following year. Therefore, we propose to equip the EU with **new legal tools to jointly purchase gas**. The Commission would contract a service provider to organise demand aggregation at EU level, grouping together gas import needs and seeking offers on the market to match the demand. We propose a mandatory participation by Member States' undertakings in the EU demand aggregation to meet at least 15% of their respective storage filling targets. Companies would be allowed to form a **European gas purchasing consortium**, in compliance with EU competition rules. Joint purchasing will help smaller Member States and companies in particular, which are in a less favourable situation as buyers, to access gas volumes at better conditions.

The Regulation also includes provisions to **enhance transparency of intended and concluded gas supply purchases**, in order to assess whether the objectives of security of supply and energy solidarity are met. **The Commission should be informed before the conclusion of any gas purchase** or memorandum of understanding above a volume of 5TWh (just over 500 million cubic meters) and may issue a recommendation in case of a potentially negative impact on the functioning of joint purchasing, the internal market, the security of supply or energy solidarity.

Addressing high gas exchange prices

Although wholesale prices have decreased since the peak of summer 2022, they remain unsustainably high for a growing number of Europeans. Building on our previous work with Member States to mitigate the impact of high electricity prices and redistribute excessive energy sector profits to citizens and industry, we are today **proposing a more targeted intervention in market gas prices**. Many gas contracts in Europe are indexed to the main European gas exchange, the TTF, which no longer accurately reflects the price of LNG transactions in the EU. The Commission is therefore **developing a new complementary price benchmark** with ACER to address this systemic challenge. The new benchmark will provide for stable and predictable pricing for LNG transactions. Under the proposed Regulation, the Commission would task ACER to create an objective daily price assessment tool and subsequently a benchmark that could be used by energy market operators to index the price in their gas contracts.

While this benchmark is being developed, the Commission **proposes to put in place a mechanism to limit prices via the main European gas exchange, the TTF**, to be triggered when needed. The price correction mechanism would establish, on a temporary basis, a dynamic price limit for transactions on the TTF. Transactions at a price higher than the dynamic limit would not be allowed to take place in the TTF. This will help avoid extreme volatility and excessive prices. In addition, to limit excessive price volatility and prevent extreme price spikes in the energy derivatives markets, the Commission proposes introducing a new **temporary intra-day price spike collar** to be established by EU derivatives exchanges. This mechanism will protect energy operators from large intra-day price movements.

To **ease the liquidity issues** many energy companies currently face in meeting their margin requirements when using derivative markets, the Commission has adopted today new rules for market participants, expanding the list of eligible collateral on a temporary basis to non-cash collaterals, including government guarantees. Secondly, the Commission has adopted new rules increasing the clearing threshold from €3 billion to €4 billion. Below this threshold, non-financial firms will not be subject to margin requirements on their OTC (over-the-counter) derivatives. Both these measures will provide much needed relief for companies, while also maintaining financial stability. The introduction of these measures follows extensive consultation with European and national regulators, as well as stakeholders and market participants. Finally, ACER and the European Securities and Markets Authority (ESMA) are enhancing their cooperation, by [creating a new joint Task Force](#), to strengthen their capabilities to monitor and detect possible market manipulation and abuse in Europe's spot and derivative energy markets, as a precautionary measure to protect the stability of the market.

Solidarity and demand reduction

The Commission is closely monitoring demand reduction measures. Preliminary analysis on the basis of reporting by Member States shows that **in August and September EU gas consumption would be around 15% lower** than the average of the previous 5 years. Similar efforts will be needed every month until March in order to comply with the Council Regulation. Member States will report every two months on their progress. The Commission stands ready to trigger the EU Alert or review such targets if current measures prove insufficient. To reinforce preparedness for possible emergencies, the Commission also proposes measures **allowing Member States to further reduce non-essential consumption** to ensure that gas is being supplied to essential services and industries, and to extend solidarity protection to cover critical gas volumes for electricity generation. This should under no circumstances affect the consumption of households that are vulnerable customers.

As not all Member States have put in place the necessary **bilateral solidarity agreements**, the Commission proposes setting default rules. This will ensure that any Member State facing an emergency will receive gas from others in exchange for fair compensation. The **obligation to provide solidarity will be extended** to non-connected Member States with LNG facilities provided that the gas can be transported to the Member State where it is needed. To optimise the use of LNG and pipeline infrastructure the Commission proposes new tools to provide information on available capacity, and new mechanisms to **ensure that capacity is not booked and left unused** by market operators. The Commission is also proposing today a Council [Recommendation on critical infrastructure protection](#) in light of the suspected sabotage of the Nord Stream 1 & 2 gas pipelines.

Background

The Commission has been tackling the issue of rising energy prices for the past year, and Member States have deployed many measures at national level which the Commission provided through the [Energy Prices Toolbox](#) adopted in October 2021.

The energy market situation has worsened considerably since Russia's invasion of Ukraine and its further weaponisation of its energy resources to blackmail Europe, which exacerbated an already

tight supply situation after the COVID-19 pandemic. As Russia has continued to manipulate gas supplies, cutting off deliveries to Europe for unjustified reasons, markets have become tighter and more nervous. The Commission therefore expanded on the Energy Prices Toolbox in Spring 2022 with the [Communication on short-term market interventions and long-term improvements to the electricity market design](#) and the [REPowerEU Plan](#). The Commission proposed new [minimum gas storage obligations](#) and [gas demand reduction targets](#) to ease the balance between supply and demand in Europe, and Member States swiftly adopted these proposals before the summer.

Prices increased further over the summer months, which were also marked by extreme weather conditions caused by climate change. In particular, droughts and extreme heat have had an impact on electricity generation by hydropower and nuclear, further reducing supply. Therefore, in September the Commission proposed and Member States agreed additional measures based on [Article 122](#) of the Treaty to [reduce electricity demand and capture unexpected energy sector profits to distribute more revenues to citizens and industry](#). Today's proposals complement the steps already taken, and continue our work to tackle the exceptional situation on global and European energy markets. The Commission has also published today the first part of its annual State of the Energy Union Report.

Quotes by Members of the College of Commissioners

President Ursula **von der Leyen** said: *"Russia's war on Ukraine has severe consequences on global and European energy markets. We act in unity and have prepared well for the winter ahead, filling our gas storages, saving energy, and finding new suppliers. Now we can tackle excessive and volatile prices with more security. We will introduce a temporary mechanism to limit excessive prices this winter, while we develop a new benchmark so that LNG will be traded at a fairer price. We provide legal tools for joint EU purchasing of gas, ensure solidarity in security of supply for all Member States and negotiate with our reliable gas suppliers to secure gas at affordable prices. But we must also accelerate investment in renewables and infrastructure. Investing more and faster in the clean energy transition is our structural response to this energy crisis."*

Executive Vice-President Frans **Timmermans** said: *"The next few winters will be tough, but today's package helps to keep European families warm and industry going. By taking measures now and developing the tools to buy gas together instead of outbidding each other, we can again head into the next heating season with enough gas in storage. In response to the extremely volatile prices caused by Putin's weaponisation of energy, the Commission is also working to return stability to the energy market. But cheap fossil fuels will not return and we need to accelerate our transition to renewables. This is why we need to consider ways to fund additional investment in Europe's green energy transition via REPowerEU."*

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"In crisis situations with supply shortages, joining forces to negotiate can be an effective way to achieve better prices and better conditions. In the context of the current gas crisis, we stand ready to accompany firms willing to enter into a joint purchasing consortium, subject to safeguards and in line with our competition rules. Our goal is to ensure the full benefits of joint purchasing can be reaped and further passed through."*

Commissioner for Energy Kadri **Simson** said: *"Russia's invasion of Ukraine has fundamentally changed the situation on the EU energy market. Tools and rules that served us well before are no longer adequate to ensure secure and affordable energy supply. To tackle this crisis effectively, we need to be able to buy gas together, to target excessively high prices, and to ensure solidarity between our Member States in case of shortages. The steps we have taken so far are working, with prices easing and demand decreasing. But today's proposals are needed to better prepare for this winter and beyond."*

Commissioner for Financial services, financial stability and Capital Markets Union Mairead **McGuinness** said: *"Our measures today are significant for energy operators and energy derivative markets, while maintaining stability in the financial system. These time-limited and targeted measures focus on easing the liquidity stress that some energy firms have faced in meeting their margin requirements and on tackling extreme price volatility on energy derivative markets. We have worked closely with ESMA, the EBA and ACER, as well as national energy and financial regulators. Russia's brutal war on Ukraine is impacting energy markets with consequences also for consumers and businesses, which we are addressing today."*

For More Information

[Energy Emergency Communication - preparing, purchasing and protecting the EU together](#)

[Proposal for a Council Regulation on better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks](#)

[Q&A Memo](#)

[Factsheet on Energy emergency](#)

[Factsheet on EU actions on high energy prices and security of supply](#)

[Seventh State of the Energy Union Report](#)

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