



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senát for its Opinion on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Short-Term Energy Market Interventions and Long Term Improvements to the Electricity Market Design – a course for action {COM(2022) 236 final}.

The Commission welcomes the favorable assessment of the proposal and the support expressed by the Senát. We especially appreciate that the Senát recognises the Commission's effort to address the EU's dependence on imports of fossil fuels from the Russian Federation as well as its approach to diversification of energy sources within the Union.

The Commission also takes note of Senát's concerns regarding the situation on the Union's energy markets, including on power exchanges. The Commission shares the Senát's view that the current situation requires a coordinated approach and solution at the EU level. The Commission has, since the start of the energy crisis and the first Communication in October 2021, provided Member States with a number of tools to intervene in the functioning of electricity markets and mitigate the impact of high energy prices on consumers' bills.

A recent step in this respect is Council Regulation 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices. The Regulation establishes a set of measures including electricity demand reduction, introduction of a temporary revenue cap on inframarginal power producers, support for final customers and a temporary solidarity contribution from fossil fuel companies. The package will help to make electricity more affordable for European consumers.

The Commission agrees that measures at national level to support households, businesses and the public sector must be accompanied, in particular, by energy savings and investments in alternative sources. Regarding the Government's decision to set price caps on electricity and gas for retail customers in order to reduce high energy prices and its negative impacts, the Commission recalls that this should be in line with relevant Union legislation, including Council Regulation 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices.

*Mr Miloš VYSTRČIL
President of the Senát
Valdštejnské náměstí 17/4
CZ – 118 01 PRAGUE 1*

The Commission takes note of the Senát's position on the need to further diversify the supply of the natural gas and other energy commodities to ensure long-term security of supplies. The Commission has undertaken significant efforts to diversify away from the dominant supplier and secure supplies from reliable partners.

The Commission welcomes the Senát's support for a joint European action for more affordable and sustainable energy. The Commission currently pursues work on the long-term optimisation of the functioning of the European electricity market. By bringing this reform forward, the benefits of lower cost renewables could be brought to consumers on a lasting way. The main objective will be to decouple consumers' bills as much as possible from the price of the marginal technology (which are still very often gas-fired power plants).

The Commission takes note of the Senát's call to amend the EU Emissions Trading System (ETS) in light of the energy crisis. However, it is mainly the increase in gas prices and not carbon prices that has driven up energy prices. Addressing the latter is thus not an effective course of dealing with the crisis.

Policy certainty is at the core of the EU ETS design. The cap on emissions, set in line with the overarching climate target, offers predictability to operators about the supply of allowances. The Market Stability Reserve adjusts the supply of allowances year-on-year in line with the pre-defined rules, fostering balance and resilience in the EU carbon market. It continues to address the surplus of some 1.45 billion allowances.

At the same time, the EU ETS generates revenues from the auctioning of ETS allowances for investment in climate action and energy transformation. Higher carbon prices have translated into higher revenues for Member States, over EUR 30 billion in 2022 so far. The Commission welcomes the Senát's support for using Czechia's revenues to address the energy crisis and draws the Senát's attention to the role of these resources in advancing the clean energy transition. To the latter end, higher resources of the Innovation and Modernisation Funds funded from ETS allowances can be used too.

The new geopolitical and energy market reality requires the EU to accelerate the clean energy transition to ensure we meet our climate targets, reduce dependency on imported fossil fuels, and protect us against price hikes. This is at the centre of the REPowerEU plan, the EU's response to the energy crisis. The plan includes mobilising additional resources from the sale of ETS allowances and measures to improve energy efficiency and increase the share of renewables in energy consumption.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Senát and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

*Kadri Simson
Member of the Commission*