

A new European energy strategy to reduce prices and reduce its dependency

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Recognizing that:

(1) The new strategic vision for the period 2020-24 to fully support through its actions, policies and instruments the European Green Deal for the European Union (EU) and its citizens while providing a rapid response to the impacts of the COVID-19 crisis has an important set of objectives, among them, two should be highlighted: (a) clean, affordable and secure energy and (b) the EU as energy global leader¹.

(2) The European Council conclusions of 24-25 May 2021 invited the European Commission to swiftly put forward its legislative package related to the green energy transition together with an in-depth examination of the environmental, economic and social impact at Member State level².

(3) The natural gas in October 2021 is costing at least five times more than it did a year ago. This has caused a huge increase in the electricity bills of EU citizens and record prices paid by suppliers. This is affecting the economies of many families while slowing down the energy intensive industries³.

(4) This phenomenon has increased the awareness regarding important weaknesses in the energy system of the EU. The EU imports around three fifths of all the energy that it consumes each year, with a particularly high level of dependency for crude oil and natural gas. EU's dependency rate on energy was 60.7% in 2019⁴.

¹ “Annual Activity Report Energy 2020”, European Commission. From: https://ec.europa.eu/info/system/files/annual-activity-report-2020-energy_en.pdf

² “Conclusions – 24 and 25 May 2021 of the European Council”, 25 May 2021. From: <https://data.consilium.europa.eu/doc/document/ST-5-2021-INIT/en/pdf>

³ “Gas shortages: what is driving Europe’s energy crisis?”, Financial Times, 11 October 2021. From: <https://www.ft.com/content/72d0ec90-29e3-4e95-9280-6a4ad6b481a3>

⁴ “Key figures on Europe — 2021 edition”, Eurostat. From: <https://ec.europa.eu/eurostat/web/products-statistical-books/-/ks-ei-21-001>

(5) In 2019, Russia (135.8 million tonnes) accounted for more than one quarter (26.9 %) of the EU's crude oil imports; this numbers show how the EU is currently giving its government, led by Vladimir Putin, certain power in our markets and allows him to blackmail the EU⁵. Russia is also suspected to be “playing games” with the gas exports to the EU⁶ in order to destabilise the energy sector.

(6) A big share of the price of electricity derives from taxes and other governmental intervention; for example, from the total price of electricity peaked in Denmark, the share of taxes was 67.8 %⁷.

(7) Following the release of the European Commission toolbox “Tackling rising energy prices” and based on the Directive 2006/112/EC on the EU's common system of value added tax, the VAT Committee enabled Member States to apply for a temporary VAT reduction on energy consumption in an accelerated procedure.

(8) The urgent need to restructure the energy strategy of the EU, especially in the short term, in order to prevent the derail of the bloc's ambitious climate policies like the Green Deal^{8,9}.

Acknowledging that:

(1) The response to this crisis can only be achieved by coordinated EU and national responses.

(2) While renewable energy is still difficult to store and volatile (as it depends on the weather conditions), nuclear energy has proven to be predictable and available during all the time needed (it does not depend on the weather conditions).

⁵ “Energy Data 2020 edition”, Eurostat. From: <https://ec.europa.eu/eurostat/documents/3217494/11099022/KS-HB-20-001-EN-N.pdf/bf891880-1e3e-b4ba-0061-19810ebf2c64?t=1594715608000>

⁶ “Either Russia is playing games because of NS2 or they don't have enough gas. [Either way] you can't rely on them.” Eurasia Group's Gloystein.

⁷ “Key figures on Europe — 2021 edition”, Eurostat. From: <https://ec.europa.eu/eurostat/web/products-statistical-books/-/ks-ei-21-001>

⁸ “Some people are trying to portray this as the first crisis of the energy transition. They would be wrong, but if this is the dominant voice coming from this situation it may become a barrier to the policies we need to enact to make the energy transition work.” Fatih Birol, head of the International Energy Agency.

⁹ “EU states clash with Brussels over response to gas crisis”, Financial Times, 6 October 2021. From: <https://www.ft.com/content/0f2e46b3-ff05-4d31-b75c-7e77b6bde83c>

(3) Reducing the dependency on fossil fuels (i.e. natural gas) will reduce the dependency on foreign countries, like Russia.

(4) It is necessary to maintain also the investments in renewable energy which have shown an exponential reduction in costs and increased its efficiency during these last years, especially solar energy¹⁰.

(5) Countries like France are already taking clear steps towards the boost of alternative energy sources such as the nuclear energy: the French government has announced €1bn investment by 2030 in nuclear energy¹¹.

(6) YEPP recognizes the need to further diversify and utilize different renewable energy sources.

YEPP calls for

(1) Initiating a dialog between companies, government and consumer associations in order to develop topical measures to increase the productivity of energy intensive sectors and lower the pressure on the EU citizens' personal budget, such as a temporary reduction of taxes related to the energy sector.

(2) Rise the awareness about the vulnerability of the EU energy sector which is strongly dependant on non-allies countries such as Russia, while boosting investment in the nuclear energy sector as well as other renewables.

(3) The green new deal to include investments in carbon capture and utilization (CCUS). According to the UN, CCUS is a necessary part of the future energy systems. Achieving the net-zero emissions goal is crucial to limit global warming, therefore we call for scale-up of carbon capture, use and storage.

¹⁰ "Is exponential growth of solar PV the obvious conclusion?", IEA. From: <https://www.iea.org/commentaries/is-exponential-growth-of-solar-pv-the-obvious-conclusion>

¹¹ "France bets on more nuclear power in face of Europe's energy crisis", Financial Times, 12 October 2021. From: <https://www.ft.com/content/d06500e2-7fd2-4753-a54b-bc16f1faadd8>



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(4) The regulatory framework to promote investments in hydropower. Meeting the increasing demand for energy should be solved by relying more on renewable energy, particularly hydropower. EUs energy crisis is challenging the green labelling system. The EUs green finance rules must be politically sustainable, and therefore the taxonomy must not be to binary.