

Our reaction to the gas package proposed by the European Commission

25/10/2022 – At the heart of any proposals must be demand reduction.

Energy ministers debate gas package proposed by the European Commission last week. We at EFET think that:

- The current crisis is about a lack of gas and a lack of electricity. Existing production is at a maximum and it will take time before substantial new volumes reach the market. To address the shortfall in the interim, we must focus on encouraging additional supplies and on reducing demand.
- A gas price cap would discourage much needed LNG from entering Europe and remove a signal indicating where gas should flow – both will make the current situation worse.
- Capping the price of gas used in power generation (as in Iberia) has been shown to increase gas demand. Increasing gas consumption in one area will mean less gas available for another. Damage to industry through forced curtailments will be increased. Incentives, through prices, for demand response in all sectors must remain.
- Maximising availability of importation and transmission capacity, enabling gas (and power) to flow to where it is most needed, enhancing solidarity, and voluntary joint purchasing are sensible no-regret measures.
- Liquidity issues have reduced competition, made hedging more difficult and contributed to greater price volatility. Significantly broadening the range of eligible collaterals, increasing the EMIR clearing threshold and providing targeted liquidity support will help.
- Assistance can still be provided directly to vulnerable customers to enable them to afford necessary supplies, without damaging Europe's access to the global energy market.

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