

PRESS RELEASE

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“Effective wholesale markets remain the best tool to deliver decarbonisation at least cost. Help for vulnerable customers should be provided in a way that does not jeopardise this.”

Mark Copley, EFET CEO

EFET welcomes the European Commission’s Communication on Energy Prices and support for consumers in ways that do not distort wholesale markets

EFET recognises that the current spike in energy prices creates difficult conditions for consumers across Europe, raising questions about what assistance can be provided to address negative impacts. In this context, the European Commission’s announcement of a toolbox of measures is welcome. It is important that assistance is well-targeted and does not detract from the benefits of efficient markets and the longer-term goal of decarbonisation.

Price signals in wholesale markets are necessary to reward ramping up additional, higher marginal cost production, and at the same time incentivise consumers to defer consumption where it is discretionary and promote energy efficiency. For this reason, it is important to preserve the internal energy market to ensure that systems remain in balance. However, most consumption cannot be rescheduled, exposing households and industry to financial pressures. The EC toolbox focuses on types of direct assistance to consumers to help them through this difficult time without distorting the wholesale market. Their proposals include social payments, reductions in energy taxes and levies, and extended credit terms, which can in part be funded through higher receipts from sales of emissions allowances and VAT payments.

The Commission has committed to ensure that illegal market behaviour is not contributing to the problem and, in the view of EFET, should be sceptical of “quick fixes” such as price capping or strategic storage. These might appear attractive in the short term but can turn out to be more costly overall or have a negative effect on the investments that will be necessary to deliver the energy transition. EU-level guidance also helps to avoid distortions in trade between markets that might otherwise be caused by uncoordinated national measures.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org