

EFETⁱ advises against extending the Market Correction Mechanism. It cannot offer protection against high gas prices, but instead presents a risk, if triggered, that contracts may be disputed, and importers will be less able to attract new gas.

The Market Correction Mechanism (MCM)ⁱⁱ was introduced alongside other emergency measures in December 2022 in response to high prices in the preceding August. There had been concerns that price spikes appeared excessive rather than a result of normal market functioning in response to a sudden deterioration in Russian gas supplies.

At the time, EFET raised concerns that if the mechanism were activated, then this had the potential to trigger contractual disputes, increase risks to financial stability, and raise barriers to accessing additional gasⁱⁱⁱ. ACER and ESMA also considered that there were possible downsides^{ivv}. Since then, prices have stabilized and we have remained well outside the conditions where MCM would be exercised, but these risks are still present.

DG ENER now proposes to extend the mechanism for a year, claiming that *the MCM strengthens the Union's solidarity by avoiding excessively high gas prices*^{vi}. However, the proposal cannot reduce global gas prices; it seeks instead to make gas at high prices more difficult to hedge and more risky to purchase. No mention is made of the concerns described by EFET, ACER and ESMA, and no plans are suggested to mitigate them.

In reviews that have been undertaken since the MCM was introduced, analysis has confirmed that price spikes in August 2022 occurred as a result of the disruption to Russian gas supplies^{viiiii}. Neither the European Commission nor independent assessors have produced analysis or evidence that the mechanism has caused the fall in gas prices, which came instead from improved responses to high prices on both the supply and demand side.

In the past twelve months, substantial additional LNG import capacity has been built, and greater flexibility to move gas inside the EU. The concerns that led to high price differentials have been substantially reduced. The suspected conditions that were used to justify the MCM no longer exist.

Other measures in the regulation, such as restrictions on intra-day volatility have been introduced and are managed by the exchanges themselves^{ix}, and an extension in legislation is not required.

Regulation 2022/2578 was introduced in haste, in response to a fast-changing situation when little was known about how the supply crisis might develop. We now have better information and increased flexibility in the European gas system. We can now see that the MCM does not contribute to energy security but instead endangers existing contracts and raises barriers to accessing gas, and should be allowed to expire in January 2024.

ⁱ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent 150 energy trading companies, active in over 27 European countries. For more information, visit our website at www.efet.org

ⁱⁱ [Council Regulation \(EU\) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high gas prices.](#)(EC)

ⁱⁱⁱ [Capping wholesale gas prices could worsen the energy crisis](#) (EFET) December 2022; [Joint association statement on the proposed market correction mechanism to protect citizens and the economy against excessively high prices](#) (CMC Europe, EACH, EFET and Europex) December 2022.

^{iv} [Market Correction Mechanism Effects Assessment Report](#) (ACER) March 2023

^v [Effects assessment of the impact of the market correction mechanism on financial markets](#) (ESMA) March 2023

^{vi} [Proposal for a Council Regulation amending Regulation \(EU\) 2022/2578 as regards the prolongation of its period of application](#) (EC)

^{vii} [European gas market trends and price drivers: 2023 Market Monitoring Report](#) (ACER) October 2023

^{viii} [The August 2022 surge in the price of natural gas futures](#) (ESMA) October 2023

^{ix} E.g. ICE [Interval Price Limit Functionality](#)