

## CEEP statement regarding publication of the REPowerEU plan

CEEP welcomes the publication by the European Commission of the detailed RePowerEU plan to make the EU independent from Russian fossil fuels. We strongly share this goal as it has been advocated by CEEP and its members for a long time. This goal is becoming even more urgent today, viewed in the context of continued Russian aggression on Ukraine. CEE countries and their companies have for years pointed out the dangers associated with the EU's growing dependence on gas and oil imports from Russia and risks related to the continued dominance of Russian companies, including Gazprom, in the EU and individual Member States' markets. CEE countries have also sought for years to counter these threats.

CEEP supports REPowerEU's main objectives of reducing dependence on fossil fuels from Russia through measures focused on supply diversification, indigenous production, voluntary demand response and accelerating the energy transition. At the same time, we see as crucial the proposals for short-term measures aimed at:

- **phasing out Russian oil imports as soon as possible;**
- **phasing out Russian gas imports as soon as possible** and a significant decrease of imports this year and in consecutive years;
- **countering the growing energy crisis** by stepping up efforts and using available instruments to obtain alternatives to Russian fossil fuels to fill storage and ensure sufficient supply;
- clear support of measures for **increased domestic production of gases** – both natural, low carbon and renewable gases;
- **increasing the EU's resilience** ahead of this and next winter seasons by introducing and implementing **gas storage filling up** obligations and certification of storage system operators as provided for by the EU's new regulation on gas storage, expanding gas storage capacities and necessary infrastructural links across the continent;
- introduction of **measures to minimise Russia's revenues from hydrocarbons exports** such as proposals for smart sanctions, e.g. import tariffs or special custom levies;
- **launching a thorough assessment of electricity market design** to make it responsive to changing circumstances, more resilient and ready to cope with the dominant share of intermittent energy sources. Such an assessment should take into account the need for support for long-term investments through an introduction of additional instruments or mechanisms which would support dispatchable and flexible generation, as well as a better reflection of price signals in location and time towards a more granular or nodal approach;



The Commission is right to put **particular focus on natural gas** in its approach, as its prices strongly influence EU electricity prices, and Russia has a history of weaponising gas in its relations with both Ukraine and Europe. A proactive EU stance and action towards energy independence from Russian supplies is particularly urgent in the context of successive restrictions of gas supplies to the EU by Russia: in addition to the suspension of supplies to Poland, Bulgaria, Finland, the Netherlands and Denmark, and further reductions in the gas flow to the other Member States (i.e. Germany, Czechia, Slovakia, Italy) due to a significant reduction in transport via the Ukrainian and Nord Stream 1 routes. These are aimed at pushing up prices in the EU market to record levels, deepening the crisis and creating divisions between the Member States, and last but not least, increasing the pressure for a settlement in favour of Moscow regarding sanctions and the war in Ukraine.

CEEP is convinced that adequate preparedness and **EU unity and solidarity** in overcoming the energy crisis, which will likely be much more serious in the wintertime, are the basis for further successful implementation of key objectives of the EU energy and climate policies. Key issues would entail the development of cooperation, understanding and exchanging information among the EU Member States in the case of a deep energy crisis. Furthermore, proper use of security of gas supply regulation and risk preparedness in electricity would constitute a basis of EU actions in the coming months.

In CEEP's opinion, the measures undertaken by the Member States related to **demand response** and enhancing reductions in energy demand both in the immediate and long term are crucial, particularly in the context of the coming winter season. However, these kinds of measures should be decided by the Member States according to their needs and possibilities.

At the same time, **fuel switching** could also be essential in the short term to overcome the unprecedented energy and geopolitical crisis and to limit its negative effects on the EU countries and their societies. This may favour the development of clean energy sources, but their immediate large-scale deployment may prove to be difficult due to technological limitations. In the longer-term perspective, this is evident in the case of hydrogen and biomethane, whose role is key for greening hard-to-decarbonise sectors, part of which is currently highly dependent on natural gas use. At the same time, hydrogen and biomethane production and the market are not sufficiently developed yet to give tangible effects in the short term.

In CEEP's opinion, the **increase in renewable energy generation** and use is the right direction in the context of decreasing import dependency on fossil fuels from Russia. However, increasing RES targets to levels that are unlikely to be achievable in a sustainable way in such a short period puts into question the EU policy credibility. Therefore, the development of RES should be gradual and supported by adequate network development, expansion of large-



scale energy storage systems and flexible power generation able to balance and substitute RES whenever needed. This would ensure the stable and secure functioning of interconnected energy systems.

In this context, CEEP appreciates that the EC acknowledges in the REPowerEU plan the importance of **domestic gas resources** to counter the security of supply concerns. In the perspective of the next few years, the role of domestic energy resources, especially natural gas, in strengthening the EU's energy resilience may indeed increase, which deserves to be supported.

CEEP welcomes **the recognition of nuclear** as an important means to ensure the security of EU energy supplies. Prolonging the use of existing nuclear power plants can help reduce the EU's dependence on Russian gas, oil and coal. In the longer term, an increase in nuclear power generation capacities will play an important role not only in ensuring the security of supply but also in affordable prices and reaching the EU's climate targets. However, there is still a space for more active EU engagement in support of the use of nuclear technologies, including the development of small modular reactors. In that respect, CEEP also raises the importance of coordinated action to reduce dependence on Russian nuclear materials and fuel cycle services.

CEEP also agrees with the REPowerEU plan's assessment that as a short-term measure, especially ahead of the winter season, the **option to extend the use of coal** in power and heating generation can enable a much-needed decrease in the EU Member States' demand for Russian gas. This option has already started to be implemented by a number of EU Member States and could help increase the secure and stable supply of energy in the near future.

CEEP welcomes in the REPowerEU plan the concrete proposals to **strengthen the EU's strategic partnerships with suppliers and exporters**, including Norway, the US, Canada, Australia, the Middle East, the Caspian region and North Africa to accelerate the diversification of oil and gas supplies, including in particular the guarantee of sufficient LNG imports. The CEE countries, especially Poland and Lithuania, have for years pursued a policy of decreasing dependence on Russian gas supplies by building new gas infrastructure (LNG terminals in Klaipeda and Swinoujście, Baltic Pipe, GIPL) and strengthening partnerships with the US and Norway and cooperation with Qatar. CEEP appreciates the **EC's support for co-financing the necessary gas infrastructure** in the EU, including in CEE, particularly LNG terminals, storage facilities and critical oil infrastructure, in the context of phasing out dependence on Russian supplies and the related change in directions and flow of gas and oil on the continent. Access to the EU funds, in the context of the growing economic crisis, may facilitate the emergence of such infrastructure. Ensuring new financing is necessary to secure



the supply of fossil fuel infrastructure and could be seen as a measure to counter the current energy crisis.

The idea of a **platform for common gas purchases** seems to be interesting in facilitating not only the filling of gas storage facilities in the EU but also securing alternatives to Russian supplies. However, its structure has to be carefully analysed and designed to make it an effective instrument of leverage for the suppliers wishing to participate in this and to ensure natural gas supply diversification. It is essential to ensure that the platform does not jeopardise diversification efforts, distort the internal gas market and interfere with natural gas supply contracts that have already been signed to diversify from Russian resources. CEEP supports the EC's proposal that the Energy Community countries, including Ukraine, can be admitted to the joint purchasing mechanism as well as other measures ensuring solidarity and concrete support of Ukraine in the energy sphere, such as the gradual opening of trade in electricity or support actions managed by the Energy Community Secretariat.

The immediate need to counteract the energy crisis and its most acute effects and to enable a faster, fairer energy transition in the years to come has additional costs, which are recognised in the REPowerEU plan. The EU needs to **allocate sufficient funding** to support the Member States in implementing this plan. CEE companies have different starting points; they have to tackle decarbonisation and ensure diversification simultaneously. This should not be at the expense of countries and stakeholders further along the transition path. The need to ensure a fair transition becomes particularly important, especially as energy security and affordability must be guaranteed in parallel. Sufficient financial support may be pivotal in the short term because of the serious costs associated with the energy and economic crisis and other consequences of the war in Ukraine. These may make it difficult for the Member States to find financial resources for alternatives to Russian supplies of fuels at current prices, support those most affected or vulnerable consumers and finally, increase investments in the energy transition. In particular, special measures may be needed for the Central and South Eastern European countries, which have remained, for the most part, heavily dependent on imports of energy resources from Russia, which implies their greater vulnerability in the current situation.