



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

SGI Europe Position on the REPowerEU Initiative

27 April 2022

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Executive Summary

SGI Europe welcomes the principles of the REPowerEU initiative published on 8 March on the security of supply, energy efficiency, the roll-out of renewable energy sources and more decarbonisation by electrification and by hydrogen.

For SGI Europe, the upcoming REPowerEU Plan should target:

- **Short-term measures** based on demand reduction, the opportunity for additional voluntary joint procurement of EU gas purchases and giving European citizens the benefits of energy at stable costs. Due to the fact that even such a stable price will be significantly higher than the prices we have seen in the last decades, forms of compensation might be needed.
- **In the mid-term**, SGI Europe encourages the European Commission to reinforce the security of supply further while ensuring the objectives of sustainability and affordability by optimising the use of available resources within the EU.
- **In the long-term**, the Green Deal remains the only way forward, with an emphasis on increasing ambition while allowing for flexibility and technology-neutrality. On the financial side, it is necessary to set schemes into motion to enable the huge investments we are facing to accelerate the EU race out of fossil fuels.

This paper constitutes the SGI Europe contribution to the REPowerEU Plan, planned for release at the end of May. SGI Europe is the cross-sectoral EU social partner representing providers of services of general interest from across Europe active in, amongst others, energy, transport, housing, water, environment and communications sectors.

Short-term: Measures for a sustainable energy price for consumers and enterprises

Two key principles must be respected: **no measure must harm the internal market, and there are no short-term measures but European ones.** The high prices crisis finds its origin in the exceptional situation of gas imports. **SGI Europe considers that any solution must treat the cause of the problem, and not only the consequences: any price intervention must be avoided,** as price caps are always inappropriate. Exemptions for gas prices caps could only be considered in extreme situations.

Security of gas supply

First of all, it is essential to lower energy demand: **the European Commission and Member States should launch large public campaigns to encourage saving energy** to foster energy independence as soon as possible.

Preventing the risk of gas supply failure for the coming winter requires full use of the European gas storage potential. In this respect, SGI Europe welcomes the main objectives of the European Commission's proposal to regulate gas storage.

Controlling gas supply costs

Regarding the European Commission's proposal for joint gas procurement at European level, this mechanism should apply exclusively to new gas **supply contracts.**

SGI Europe believes that an **overall price ceiling on the European gas market should only be considered in exceptional situations.** This would need to be accompanied by a **mechanism designed to maintain supplies subject to international competition, in particular LNG.** This would compensate buyers for the difference between the gas price on the global market and the European price cap.

SGI Europe stresses that in such a model, a too-low-price ceiling would likely aggravate the current crisis by maintaining gas consumption at a high level. Therefore the cap should only be **extended to the European level** to preserve its effectiveness and avoid distortions between Member States.

Giving European citizens the benefits of energy at stable costs

In 2020, nearly 80% of the electricity produced in Europe did not come from gas. The growing share of renewables will contribute to making electricity the major source of decarbonisation of other sectors of the economy.

Electricity and decarbonised and renewable gases, such as hydrogen, are the main final energy carriers of the energy transition towards a fully decarbonised EU. **In the present crisis, it is of utmost importance to show that electricity is the energy insurance of Europe:**

- **By taking measures as described before to ease the effect of gas prices on electricity prices;**
- **By giving European citizens the benefit of a locally produced energy at stable costs.**
- **Due to the fact that even such a stable price will be significantly higher than the prices we have seen in the last decades, forms of compensation might be needed.**

Any solution should only be temporary and should be strictly limited in time (without the possibility of modifying the period of application), so as not to have a negative effect on the management of forward electricity coverage.

Mid-term: Developing Europe's potential

Addressing the most crucial challenge of our time, the EU Green Deal and the FF55 Package aim at eliminating greenhouse gas (GHG) emissions as soon as possible. In this context, SGI Europe fully supports the current discussions in the ongoing negotiations on the FF55 package to more intensely integrating the principle of security of supply. Member States should be given the flexibility to allow for national solutions within the European framework to ensure this security of supply on the ground.

However, in the current energy crisis, one has to state that the EU's dependency on imports in the energy sector is partly homemade. The additional import of LNG out of conventional and unconventional sources, such as shale gas, will significantly raise the GHG emissions of the gas sector. In the past, opportunities were not exploited for various reasons. This refers especially to the field of renewable energies, of pumped storage, of nuclear generation in countries where it is an option, but also in the exploration of natural gas. This also includes Carbon Capture Utilisation (CCU) and Carbon Capture Storage (CCS), while observing the highest environmental standards. Those technologies will be necessary in the long term to maintain Europe as an industrial location for residual amounts of CO₂ must be explored. As mentioned, for CCU and CCS, clear criteria need to be defined and regularly checked to ensure that they correspond to ecological standards, especially for water protection.

Therefore, SGI Europe asks the European Commission to consider encouraging Member States to foster these measures in a timely manner, taking into account the strong EU environmental and nature protection regulations and carefully safeguarding water resources, in particular the protection of drinking water resources.

Long-term: the Green Deal must be accelerated, taking into account all sources of decarbonised energy

Reaching the EU climate goals to reduce 55% GHG emissions by 2030 is necessary to avoid further intensifying climate change, while increasing the EU security of supply and preparing for the energy transition.

SGI Europe highlights that the climate targets will only be achieved if all sectors and instruments contribute to a common goal. For instance, it means fostering **direct and indirect electrification based on renewables and low-carbon energy sources while safeguarding the vital role of biogases and other renewable and recovered energy sources, like energy from waste management.**

It will be essential to **consider the maturity of all technologies**, applying technology-neutrality and robust CO₂ prices. It is of prime importance for EU leaders to acknowledge and address the impacts of the energy transition. SGI Europe has warned about realising the current scenario with anticipated heavy social consequences. To face the present crisis, households, enterprises and energy, transport, water providers, as well as waste management, need support to prevent damaging impacts.

It is crucial to increase and accelerate the provision of new training schemes built on the needs identified by social partners. Employers and providers of SGIs also need to be given the right framework to ensure the transition is just for the workers they employ and for the citizens they serve. The transitional pathways must offer workers quality jobs and provide financing incentives and solutions for citizens to renovate their homes and buy carbon-free. As part of the FF55 Package, the proposed EU Social Climate Fund must

offer this essential support and ensure its implementation effectively reaches its intended objectives. Salvaging the EU's climate change commitments requires shoring up political support by showing European households and enterprises that the costs of the transition are manageable if shared.

All these investments are massive and require a stable and long-term enabling framework giving more visibility to investors. It is now time to rethink this framework for investment, especially in the electricity market, which is the core element of the EU energy transition. Long term investments in emerging technologies, such as hydrogen, should benefit from innovative investments arrangement. This also includes the mixing of subsidies schemes from European, national, regional and local levels. **Reducing investor's risks is key, and it goes through more long-term arrangements. To that aim, SGI Europe calls the Commission to open the debate.**

Another essential aspect in the realisation of the EU Green Deal is to ensure flexibility and avoid a too high level of detailed legislation. While this promotes innovation and cost-effectiveness, it also has to be ensured, that the proposed legislative files are coherent and in line with other parallel running EU legal proposals. Regarding the EU taxonomy, **SGI Europe points to the necessity to acknowledge technology-neutrality and the importance** of transitional activities (such as nuclear and natural gases), which contribute to the security of energy supply while enabling the energy transition.