



Cabinet SIMSON - Minutes of Meeting

MEETING CONCLUSIONS

Title	Meeting with ENEL on gas price cap proposals
	22 March 2022
Participants	Ext: [REDACTED] (ENEL) COM: Stefano Grassi, [REDACTED] (ENER)
Disclosure authorisation :	<input checked="" type="checkbox"/> YES - <input type="checkbox"/> NO - <input type="checkbox"/> Partial (pls highlight unauthorized parts)
	<p>Mr Grassi thanked ENEL for sharing the document on potential solutions to the gas crisis (attached) and invited them to present the proposal more in detail.</p> <p>[REDACTED] noted that ENER had asked an external consultant to develop with them proposals to address the current gas crisis. In their view, the explosion of the marginal price of gas was the root cause of the recent increases in prices of energy in Europe, and in particular for electricity. In reality, the TTF prices had a very limited connection with the true cost of the overall natural gas supplies to Europe. Natural gas is sourced from many different locations, other than Central Europe, with contracts which prices are indexed to variables that are not connected to the price of the (very marginal) volumes transacted in the European TTF gas market.</p> <p>In ENEL's view the response should tackle the TTF market and cut the link between energy prices and the volatile gas spot prices on TTF. IN ENEL's view this would not lead to a rejection of reaction from gas suppliers to Europe, and would not disrupt the contractual structure, acting on the indexation of contracts not on their content. ENEL considered that there is no arbitrage possible for pipeline gas and that Europe was still a large buyer for LNG and with a soundly set price cap (around 80 euro per MWh) this would have not diverted flows away from Europe. Possible additional mechanisms could be identified to complement the price cap with a system of buyer of last resort. ENEL noted that other forms of intervention in the gas or electricity market were much more distortive for the Single Market.</p> <p>Mr Grassi thanked for the presentation. He noted that the Commission was at this stage very cautious about any ideas for a gas price cap, notably because of the uncertainty about the reception by suppliers and the significant risk of a supply gap on the European market. He noted that the proposed mechanism had not real device to address a situation of shortfall of gas in the European market nor to organise rationing of less than optimal gas volumes among Member States. In the Commission assessment, analytical work on a price cap should be continued. The price cap could possibly represent a last resort solution to address a situation of extreme volatility, but at this stage both political and technical work was still to be done to make it a viable idea.</p>