The Stanhope Group
High-level Reflection Group on
"Main Energy Challenges of the European Green Deal"

Background Note for the Lunch Discussion on

15 March 2022

12:30-14:30h (online)

Participants

European Commission:
- **Catharina Sikow Magny**, Director, DG ENER
- [redacted] DG COMP
- **Yvon Slingenberg**, Director, DG CLIMA

Industry:
- [redacted], EDF Europe
- [redacted] ENEL Europe & ME
- [redacted] Elia Group
- [redacted] Tennet
- [redacted] VNG AG

The third lunch of the Stanhope Group will take stock of the recently published Communication "REPowerEU: Joint European Action for more affordable, secure and sustainable energy".

Among the various, expectational actions and ideas the text presents, these are three among the most momentous ones:

1. "Commission will look into all possible options for emergency measures to limit the contagion effect of gas prices in electricity prices, such as temporary price limits'
    - Does this could constitute an emergency and temporary new market design for EU electricity markets?
    - A short-term and exceptional derogation to the marginality principle or rather a targeted intervention on the retail markets with auctions and de fact two-ways CFDs for everyone?
    - What is the link between this exceptional short-lived intervention and the debate over the medium-term need to reshape the electricity market design as a whole that will start after ACER final Report publication?
2. The proposed mandatory filling level of 90% of gas storage is referred to the EU itself and no longer does any mentioning of the Member Sates
    - Is this an EU joint strategic reserve?
    - Are we going to see in the April Legislative proposal Joint Procurement platforms?
    - How attainable it is to the EU to increase LNG imports by 50bcm by the end of the year?
3. Inframarginal rents and fiscal measures

- What is the link between the price cap evoked above and the fiscal measures aimed at extracting inframarginal rents? A CCFDs or a two-ways CFD would solve the issue?
- Windfall profits is a slimy notion, the Communication seems pretty well aware of that. Are there a windfall profits also on gas selling for heating and industrial use?

4. "All-electric" option
    - Is the wording on permitting (the one in the Communication as well as the one adopted in the current Council revision of REDIII) a "game changer"? if not, what else could be done at EU level
    - How much non-fossil related energy can the EU credibly generate in 2022 and in 2030? Should we seriously start preparing from renewable electricity import from neighbouring Countries?
    - In the current scenario, does using electricity to generate renewable hydrogen make any more sense? Or should we rather use biomethane?