



Ms Ursula von der Leyen

President
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

28 September 2022

Dear President,

EU business urgently calls on tackling high energy prices

The critical situation on the European energy market and exorbitant energy prices is increasingly impacting millions of European households and businesses. With price hikes coming to double or even triple digits, skyrocketing energy bills have a direct impact on the business viability in Europe and the whole economy.

The current state of high gas and electricity prices bears the imminent risk of production losses and shutdowns of thousands of European companies. Estimates show that 70% of Europe's fertiliser production has been shut or slowed down, while 50% of total aluminium capacity has been lost. There is a real danger that businesses, and in particular energy-intensive industries, relocate outside of Europe permanently, which will dramatically increase our dependencies on third countries and lead to a loss of competitiveness and jobs.

Urgently finding ways at EU level to mitigate the impact of crippling energy prices faced by European business is a matter of survival. Well-designed emergency measures must be implemented on a strict temporary basis, closely monitored and adjusted if necessary.

14th September package: necessary first steps

BusinessEurope believes that this first package of emergency interventions in the energy market is a necessary first step. The proposal on reducing electricity demand alongside further energy efficiency and demand-side flexibility measures will help to rebalance supply and demand, and ensures that all actors, not just businesses, are committed to alleviating the energy crisis.

If introduced, the proposed 'inframarginal revenue cap' and 'solidarity contribution' must be amended to remain proportionate and not compromise the ability of the sectors to invest in decarbonisation and to supply the European market.

For example, the 'inframarginal revenue cap' should apply to actual revenues earned and not affect energy sold through long-term contracts and Power Purchase Agreements (PPAs), as they are key remaining hedging instruments. It is also important to maintain a uniform cap at EU-level to preserve the internal wholesale market.

On the temporary 'solidarity contribution', it is important for example to use a representative set of historical profits, notably with the possibility to exclude year 2020 when the sector was highly affected by the COVID pandemic. In addition, to limit the



negative impact on firms' future investment confidence, the contribution must capture only genuinely extraordinary 'excessive' profits. We believe this requires a threshold above the presently proposed increase of 20% above this historic average of taxable profits.

In these two cases, it is vital that newly generated earnings for governments are equally and quickly redistributed among vulnerable households and all businesses facing unbearable energy costs this coming winter.

More actions are urgently needed to alleviate European businesses

The 14th of September package is not sufficient to mitigate the impact of high energy prices on European businesses. To prevent further production losses, the EU state aid framework must be further adjusted to temporarily enable Member States to grant much-needed aid to affected businesses.

This involves a prolongation of the Temporary Crisis Framework (TCF) and defining less restrictive eligibility criteria for energy costs compensation. An extension of the list of eligible sectors for indirect costs compensation under the ETS state aid guidelines and a stronger use of the ETS Market Stability Reserve are equally important to alleviate European industry.

Furthermore, policymakers should urgently consider a temporary EU-wide measure to decouple electricity prices from gas prices. This exceptional measure could only be justified by the exceptional situation on the energy market. If designed well, taking into account the impact on security of supply and demand, such measure could effectively lower the energy bills.

Every MWh and bcm will count this winter. More can and needs to be done to increase energy supplies in Europe. It is extremely important to further intensify the external outreach to suppliers and deploy additional renewable, nuclear, low-carbon energy and natural gas capacities in Europe as soon as possible. As many businesses are on the verge of collapse, all options to ease energy production should be considered, including temporary legislative adaptations or moratoria.

While moving forward with exceptional temporary and short-term measures, we should not lose sight of our decarbonisation goal. Europe needs to revert as soon as possible to a functioning energy market, which incentives investments in low-carbon technologies, grids and interconnectors.

We count on you to consider urgently all these points and remain at your disposal for any further information required.

Yours sincerely,

Fredrik Persson
President

Markus J. Beyrer
Director General