

Supporting packages for energy in Europe

October 28, 2022

As **European gas prices surge across Europe — despite a recent decrease from summer peaks** — governments are enacting measures at the national level (and the European Commission seeks to do so at the bloc level) to **mitigate the repercussions** of the crisis on both **individuals and businesses**. These encompass everything **from cost-of-living subsidies to price control at the wholesale level**.


Following Russia's announcement that gas supplies to Europe would not fully resume until sanctions it imposed on Moscow are lifted, **energy prices are expected to remain higher than during the pre-Ukraine war period over the next months and possibly years**.


This energy shock is bound to have a devastating impact on Europe's industrial sector, jeopardising its global competitiveness. While businesses warned damages could rapidly become irreparable, most governments and the European Commission deployed **extraordinary measures to reduce** power demand, and to the extent possible shielded them from **high energy costs**.


Consumer concerns over the affordability of energy needs were **addressed by numerous temporary caps** on energy prices. They will also benefit from the **redistribution of windfall earnings of the energy industry, meant to alleviate the plight of the neediest**.


The recently announced temporary energy support packages provided by selected EU countries, Norway, the United Kingdom and Switzerland as well as by the European Commission itself will be implemented over the next few months and years:


Support Packages


 EUROPEAN UNION			
<i>Measures</i>	<i>Objective</i>	<i>Description</i>	<i>Budget: €140B</i>
Emergency Market Intervention Package	Mandatory electricity demand reduction	<ul style="list-style-type: none"> Targets: 10% of gross electricity consumption and at least 5% during selected peak price hours. 	
	Mandatory cap on market revenues for electricity generators	<ul style="list-style-type: none"> Windfall tax on electricity companies' revenues. Cap at 180 EUR/MWh on market revenues for electricity generators such as renewables, nuclear and coal. Collected by Member States and used to help energy consumers and encourage investment in renewables. 	
	Mandatory solidarity contribution	<ul style="list-style-type: none"> Collected by Member States on excess profits (2022) generated from activities in the oil, gas, coal, and refinery sectors. Revenues redirected to energy consumers, in particular vulnerable households, hard-hit companies, and energy-intensive industries. 	
	Retail measures for SMEs	<ul style="list-style-type: none"> Member States may temporarily set a price for below cost electricity supply to SMEs. 	


 AUSTRIA			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €3.09B</i>
Business credit line	Wien Energie	<ul style="list-style-type: none"> Credit line to overcome liquidity concerns. 	€2.00B
Electricity price cap	Private households	<ul style="list-style-type: none"> Electricity price cap at 10 cents for annual consumption of up to 2,9MWh. The compensation of a market price exceeding the fixed price will also be capped at EUR400 cents per MWh. 	€1.09B


 BELGIUM			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €2.9B (est.)</i>
Extension of VAT, social tariff, and direct contributions	Households	<ul style="list-style-type: none"> Expansion of the social tariff for electricity, natural gas or heat intended to help low-income households. Excise duties on petrol and diesel lowered. 6% VAT on electricity, gas, and heat. Allowance of €225 for households heating with heating oil or bulk propane. 	€1.4B
Business support package	Businesses, self-employed	<ul style="list-style-type: none"> Deferred payment of social security contributions and tax. Temporary 'energy' unemployment support that allows energy-intensive companies to use of a simplified procedure for temporary unemployment for a part of their staff. The condition is that the energy price needs to account for more than 3% of production costs. 	€1.5B (est.)


 FRANCE			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €27.5B</i>
Public takeover of EDF	EDF	<ul style="list-style-type: none"> • Full Nationalization of EDF 	€9.7B
Tariff shield (extended)	All households, small businesses, and smaller municipalities	<ul style="list-style-type: none"> • Price caps on gas and electricity increase at 4% until the end of 2022. • Petrol price subsidies of 30 c/L. • Energy support bill to provide tariff shields. • Gas and Electricity price cap: prices will be limited to a maximum 15% increase for French households. • Support of up to EUR200 for households heating with oil or wood. 	€17.8B

 GERMANY			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €285B</i>
Gas price 'defence shield'	Households, industry	<ul style="list-style-type: none"> • The defence shield is intended to work as a fund to finance energy price caps and subsidies until 2024. • It will introduce of a 'gas price brake' intended to reduce average gas prices. • The price cap is expected to be set at 80% of the usual consumption starting in January 2023 for major companies and March 2023 for private household. • It also plans to tax windfall profits made by energy companies that have not been affected by the rising gas prices. 	€200B
Loan guarantees	Energy firms	<ul style="list-style-type: none"> • Provided via Kreditanstalt für Wiederaufbau (KfW). 	€68B
Rescue package for utility companies	Uniper	<ul style="list-style-type: none"> • Full nationalization of Uniper 	€17B

 ITALY			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €31B</i>
Law decree Aiuti-bis and Law decree Aiuti-ter	Households, business, and municipalities	<ul style="list-style-type: none"> • Cumulative aid to energy-intensive companies: The tax credit is applicable for companies that use electricity with a power greater than 4.5 Kw equal to 30% of the expenditure incurred for the purchase of the energy component, and to 40% for the purchase of natural gas. • Reduction of VAT on natural gas used for civil and industrial uses from 10 to 5% until December 2022. • Reduction of excise duty on fuels. • One-off social contribution of €200 for workers and pensioners that did not benefit from it in spring. • One-off social contribution of €150 for 22 million citizens who receive incomes of less than €20,000 gross p.a. 	€31B

 POLAND			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €4.8B + one-off payment</i>
Cap on electricity prices	Households	<ul style="list-style-type: none"> Plans to cap electricity prices at this year's levels for the first 2MWh consumed. Households that manage to reduce electricity use by 10% will be rewarded with a 10% price cut as an incentive to save energy. 	€4.8B
One-off payment	Households	<ul style="list-style-type: none"> €636 subsidies for households and housing cooperatives to help cover the rising cost of coal amid surging energy prices. 	N/A

 UNITED KINGDOM			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €45.7B</i>
Energy price cap freeze (estimate)	Households	<ul style="list-style-type: none"> Freeze annual household expenses on electricity and gas at €2,857/year. The shortfall for energy companies created by this law will be covered by the government. 	€45.7B

 NORWAY			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €1.28B</i>
Additional subsidy for electricity consumption	Households	<ul style="list-style-type: none"> In early September, the government allocated almost €1B in additional finance to extend its scheme to shield consumers from the higher energy bills The measure will now cover 90% of the portion of power bills above prices of NKR700per MWh (€67/MWh). 	€1.0B
Energy support scheme	Businesses	<ul style="list-style-type: none"> The government package also includes direct support, loan guarantees and energy subsidy schemes. The subsidy will compensate 25% of power rates above a threshold of NKR700per MWh (€67/MWh). Only companies that invest in energy-saving measures are eligible. 	€288M

 SWITZERLAND			
<i>Measures</i>	<i>Target</i>	<i>Description</i>	<i>Budget: €4.0B</i>
Guarantees	Energy companies	<ul style="list-style-type: none"> State guarantees to ensure liquidity in the energy sector — so far extended to Alpiq, AXPO, BKW 	€4.0B

Conclusion

Most European countries have taken domestic steps to wean themselves off Russian gas supplies. They have also sought to shield households and industry from rising energy bills (exceptionally allowed under EU rules). The hope across Europe is to avoid supply disruptions and a winter of discontent resulting from the impact of high energy price inflation particularly affecting the most vulnerable.

Gas reserves were forcefully built up across Europe and lower than expected demand as a result of milder than expected temperatures led to a temporary stabilisation of gas prices (albeit at substantially higher levels than pre-war). Continued adverse circumstances affecting the European energy market remain will make the next few months a test in the resilience and solidarity of the European energy network. Further mid to long-term solutions will have to be designed to both increase Europe's energy independence and further decarbonise its energy mix.