



Why The EU Is Struggling To Bring Its Energy Crisis Under Control

Description

By Irina Slav of OilPrice.com

Last Friday, the energy ministers of the 27 EU members met for an emergency discussion of the energy supply situation in the bloc. The one thing they agreed on was implementing a ceiling on the revenues of power utilities that do not use gas to generate power.



What they did not agree on was everything else the Commission suggested last week, including a price cap on Russian gas, a cap on final energy prices, and a direct intervention in EU electricity markets. It's hard to get 27 countries to agree on so many things without any compromise. This is why the EU's survival plans for the winter may never work as intended.

Last week, the European Commission, headed by Ursula von der Leyen, proposed that EU member

states impose a price cap on Russian natural gas imports, a mandatory cut in energy consumption across the bloc, and a cap on the revenues of power utilities that do not use gas.

The Russian gas price cap was one of the items that divided the EU at the Friday discussions after Russia's President, Vladimir Putin, warned that any country imposing a price cap on Russian oil or gas would stop receiving them.

Some EU members argued in favor of a gas price cap for all gas imports into the bloc, following a similar suggestion made by Poland earlier this month. Some 15 members of the EU were in favor of such a move, but others were skeptical. And they were right to be skeptical: Norway, the EU's gas savior, has signaled it would not accept a cap on the price it gets for its gas.

"That's not a solution we'd propose, we don't think it answers the EU's challenges," Prime Minister Jonas Gahr Støre said, adding, "I tell my European colleagues that I'm not the one who sells the gas."

The problem is that the European Union does not have all the time in the world to discuss how to go about saving its economy and its citizens from blackouts this winter. And as Bloomberg pointed out in a recent analysis of the situation ahead of the energy ministers' meeting, speed is not among the things the European Union is known for.

Belgium's Prime Minister put it bluntly. "A few weeks like this and the European economy will just go into a full stop. Recovering from that is going to be much more complicated than intervening in gas markets today," he told Bloomberg last week. "The risk of that is de-industrialization and severe risk of fundamental social unrest."

Protests are already a fact. Tens of thousands took to the streets in the Czech Republic earlier this month to protest the energy and foreign policy of the government. Thousands are protesting against high energy prices in Germany and Italy, too. In France, police broke up an illegal protest this weekend, arresting several dozen people.

As the weather begins to get colder, these protests might grow and multiply, too. This makes the task of the EU governments all the more urgent. Yet there are already internal differences that would be difficult to resolve in a short time.

Croatia, for instance, plans to ban natural gas exports, which has set its neighbor – and gas client – Hungary on edge. Germany's neighbors are not happy, either, after Berlin declared it would not change its mind about its remaining nuclear reactors and will retire them as planned.

"I want to make sure that we can provide everything to pass the winter," the EU's internal markets commissioner Thierry Breton said last week. "I think it's important that every country, which has a capacity to do it for this very period, that they do whatever they can. And that's also a matter of solidarity."

Germany clearly does not see things the same way, and it seems the only one currently seeing things the way Germany does is its neighbor France: the two sealed a deal that will see France send Germany gas and Germany send electricity back. The rest of Germany's neighbors, however, remain reluctant to ink solidarity deals with the EU's largest – and currently most vulnerable – economy.

Even at the best of times, decision-making in the European Union takes quite a while. This is perfectly understandable: getting 27 states with their own national interests to agree on one course of action is often a challenge, and compromises need to be made.

This time, there is little space for compromise and even less time to settle on a course of action. Agreement on a gas price cap appears to be off the table if the EU wants to move fast. The only thing left that can be agreed upon quickly would be an intervention into energy markets to cap prices because consumption caps would be a challenge to negotiate.

“This is not the moment to have principal debates on energy markets. We just need solutions right now,” Marco Mensink, director general of the European chemical industry association Cefic said, as quoted by Bloomberg, last week. “The situation is very alarming – this is about the future of industry in Europe. Companies are shutting production down as we speak, and with these prices, they will not reopen.”

BY TYLER DURDEN

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