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## MANAGING THE EU'S WINTER CRISIS OPPORTUNITIES AND GAPS IN THE CURRENT POLICY TOOLBOX

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The Save Gas for a Safe Winter Plan<sup>1</sup> outlines next steps for the EU and its member states towards streamlined policy answers that can tackle gas supply issues for the upcoming winter. However, a wartime approach that simultaneously answers energy, climate and social concerns and that has the potential to protect or even strengthen the cohesion among member states, is still lacking. Policy makers now need to step up their response to match the scale of this winter crisis and the expected upcoming ones. E3G argues that responses should deliver on four levels in particular:

1. Impact (mitigating the effects of the crisis)
2. Speed
3. Social fairness
4. Compatibility with long-term climate goals

Anxiety characterises the way Europeans are marching into the winter. With the current crisis already having tangible effects on people's wellbeing, fear keeps rising<sup>2</sup> about what is yet to come. In the midst of this disruptive political situation, policy makers are facing a huge challenge.

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<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - "Save gas for a safe winter"

<sup>2</sup> Almost nine in ten Europeans have either already experienced a reduction in living standards - which they expect to continue - or expect it to occur over the next year. Eurobarometer, Spring 2022



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How can they cope with the uncertainty of energy supply, and shield people – especially those in a vulnerable situation – from bearing the brunt of this winter crisis? And how to do this while avoiding backstepping on climate commitments?

EU leaders have started building a coordinated response, most concretely through REPowerEU and now with the latest Winter Plan. This briefing assesses the Winter Plan and sheds light on what is left for policy makers to figure out. It concludes with a proposal for an analytical tool that policy makers and stakeholders can use to assess further crisis response measures and that incentivises consistency across different policy areas.

## Save Gas for a Safe Winter

On 20 July, the European Commission launched its “Save Gas for a Safe Winter” plan. It proposes a framework to prepare member states, their businesses and citizens, for what is expected to be a challenging winter. This gas demand reduction plan is based on three pillars:

1. Switching away from gas.
2. Incentivising energy consumption reduction.
3. Saving on heating and cooling.

The above initiative was launched two months after the EU Save Energy Communication<sup>3</sup>, a part of the REPowerEU initiative to cut dependency on Russian fossil fuels. The communication included advice on saving energy, and aimed to strengthen the EU’s ambition on energy efficiency and savings set out in the “Fit for 55” package. It also called for, but did not deliver yet on contingency measures. This has now to some extent taken shape through the Winter Plan.

At the core of the “Save Gas for a Safe Winter” plan is the Commission’s proposal for a Council regulation to strengthen the EU’s internal energy resilience. This was presented at the 26 July extraordinary Energy Council and is based on shared gas cuts and a solidarity framework to anticipate gas shortages, which are likely to hit member states as well as the EU as a whole.

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<sup>3</sup> The **communication** for further reading.

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## The Council regulation

### EU policymaking in high gear

The Council regulation on coordinated demand-reduction measures for gas<sup>4</sup> was adopted by an impressive qualified majority of member states on 5 August<sup>5</sup> as an exceptional and extraordinary measure, with a limited lifespan. It applies for one year and the Commission will carry out a review to consider its extension in light of the general EU gas supply situation by May 2023. It marks a first, albeit quite timid, step towards wartime EU politics.

Ministers moved at unprecedented speed, with only a few weeks between the Commission's proposal and the Council's adoption. The regulation's legally binding status contrasts with previous non-binding plans and documents such as REPowerEU, where objectives for gas demand reduction did not translate into clear obligations for the capitals. Member states agreeing on a regulation that includes potential mandatory gas cuts is a welcome trend reversal. It shows that the EU's capitals take the threat of the exacerbated crisis seriously and is an important step towards a common European approach to the geopolitical and energy crisis.

### The content

The regulation introduces voluntary gas cuts of 15% for all EU member states from 1 August 2022 to 31 March 2023. It includes the possibility to declare a Union alert that escalates these cuts to mandatory status.

Additionally, the regulation establishes a consumer prioritisation scheme to help member states prioritise their cuts. In any case, the measures should affect protected customers<sup>6</sup> last, but the text also sets out criteria for prioritising within "non-protected" consumer groups. The most critical customers or installations can thereby be exempted from the gas-saving measures.

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<sup>4</sup> **Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas**

<sup>5</sup> All member states voted in favour of the regulation, except for Hungarian and Polish delegations that voted against.

<sup>6</sup> EU legislation introduced the obligation to protect the vulnerable group of customers that endured a severe impact from the disruption of gas supply. These are "protected customers" as defined by EU Regulation no. 994/2010, and later reproduced into the EU Regulation no. 2017/1938.



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The identification of those groups is based on overall economic considerations as well as the four following criteria:

- > Societal criticality.
- > Cross-border supply chains.
- > Damage to installations.
- > Gas reduction possibilities and product/component substitution.

When deciding the specifics of demand-reduction measures, the task of the member states is to consider:

- > Measures to reduce gas consumed in the electricity sector.
- > Measures to encourage fuel switch in the industry.
- > National awareness-raising campaigns.
- > Targeted obligations to reduce heating and cooling, promote switching to other fuels and reduce consumption by the industry.

#### **Solidarity considerations on the forefront**

The principle of solidarity is put forward as the driver of this regulation.

“To prevent significant economic harm to the Union as a whole, it is crucial that each Member State reduces its demand [...]. That reduction will ensure that there is sufficient gas for all, even during the winter. The demand reduction across the Union is an expression of the principle of solidarity, enshrined in the [EU] Treaty”<sup>7</sup>

The regulation also explicitly refers to the solidarity mechanism that was established by the 2017 regulation concerning measures to safeguard the security of gas supply. Member states can trigger this mechanism, which requires other member states to take measures to reduce the gas consumption on their territory until gas supply to solidarity-protected customers in the requesting member state is satisfied.

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<sup>7</sup> Regulation of the European Parliament and of the Council concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010

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## All set?

Not quite yet. European citizens and businesses are once again left with an approach that does not provide all the answers to this perfect storm. Notwithstanding the speed that replaced the notoriously slow Council's pace of adopting a Commission proposal, the general timing of the Winter Plan is rather late in the game.

This would not be so problematic if it had established a real wartime approach to our economy and resource use. But on the contrary, it is very doubtful whether the available toolset will be sufficient to keep the EU warm this, and next, winters.

To begin with, energy-wise, the approach cannot be limited to gas, since energy sources are exchangeable to a certain extent. Secondly, much like REPowerEU, a solid plan on the finance front is missing. The financial efforts in response to the Covid crisis – with Next Generation EU as a ground-breaking precedent – should be repeated, or at the very least adjusted to respond to the current crisis, at EU and national level. There is a need for financial instruments that are fit to face the immediate challenges – energy, cost of living and geopolitical – and that simultaneously help achieve the climate commitments, thereby avoiding disastrous long-term scenarios.

Additionally, some areas in particular are underdeveloped in the plan – again analogous to the earlier REPowerEU initiative.

### **Solidarity concerns**

The mere fact that the Winter Plan has made it into regulation is a step toward a more solidary approach. Ministers agreeing to common gas cuts, disregarding to some extent their specific national context, showcases a sense of solidarity with member states that are most prone to potential gas insufficiency. It is nonetheless clear that individual interests are still at the front of most member states' minds. This is manifested in the slew of successful exemptions from the target and in general in the limited scope of the Winter Plan tools.

**Notwithstanding the introduction of a common approach through which all member states cut their gas use by 15% (apart from those who negotiated an exemption) – there is no concrete, tangible solidarity offer.** The regulation does not provide solutions for when real gas shortages start to appear, apart from the already existing solidarity mechanism. This mechanism, however, requires



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bilateral agreements. At the moment, only eight countries are covered by such deals.<sup>8</sup> Given the potential extent of this winter's energy supply issues and the likely continued pressure on the EU's energy sufficiency and cost of living in the coming years, this might not be enough.

**The regulation's emphasis on the solidarity principle should be followed by efforts that proactively turn the general principle into concrete arrangements.**

The extent to which the 15% cut will indeed result in solidarity and, eventually, a unified front, will moreover only become evident when and if countries begin to experience gas shortages. If past experience is any indicator, a collegial attitude is far from given – as seen with the initial fragmented and competitive responses to the Covid-19 pandemic.<sup>9</sup>

**The prisoner's dilemma the EU commonly faces will only be solved through a mindset shift in the national capitals.**

The remaining reflexes of self-prioritisation - exposed during the regulation's negotiations with the resulting slew of national exemptions from the target - should make space for a clear understanding of mutual interdependence among member states, as was ultimately the case with the Covid-19 pandemic.<sup>10</sup> The bilateral and multilateral dialogues should be amped up to the maximum to work out cooperation and solidarity answers. This includes putting in place bilateral deals and agreements which enable the solidarity mechanism to be triggered. The Commission has a role to play as well in facilitating and amplifying these dialogues and deals, by using its existing platforms for exchanges and good practices, identifying potential cooperation, and keeping an EU-wide oversight.

### **Social concerns**

**The plan contains the same flaws as REPowerEU in that there is no concrete social offer nor guidance on how to shield people from the effects of the voluntary or compulsory gas cuts.**<sup>11</sup> Once again, a lot depends on, and will be shaped by, implementation. The ball is put firmly in the court of the capitals, which now have to decide which measures to take in order to fulfil their 15% (or adjusted) target.

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<sup>8</sup> Euractiv, 29 July 2022, [Analysis: EU gas solidarity complicated by lack of fuel sharing deals](#)

<sup>9</sup> European Journal of Risk Regulation, 28 April 2020, [The European Response to COVID-19: From Regulatory Emulation to Regulatory Coordination?](#)

<sup>10</sup> European Commission, January 2021, [5 ways the EU and member states work together against COVID-19](#)

<sup>11</sup> E3G, 31 March 2022, [Empowering citizens through REPowering the EU](#)



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Where the annex of the plan does state that member states are encouraged to increasingly shift their compensation policies to income measures, there are no clear roadmaps on how to act on this. There is also no structured sharing of best practices for providing sufficient social buffers. EU guidance on which measures the capitals should take to anticipate and mitigate the effects of gas supply disruptions on households – especially the most vulnerable ones – would have been extremely useful at this stage.

**The underrepresentation of social considerations will need to be addressed through supplementing EU initiatives.** A common EU approach that shields households from the crisis would also have secondary positive effects by:

- > Preserving cohesion among member states. Creating a shared plan to shield their people and businesses would make member states work together instead of going into competition mode.
- > Creating political leverage for the member states to deliver their energy-saving targets. If social considerations are better projected in EU plans, the chances of social backlash<sup>12</sup> against policy makers in the member states shrink. This gives them more space to put ambitious energy efficiency, energy-saving and climate policies in place.

Ideally, the European Commission should now develop a coherent set of proposals to help member states not only deliver on saving energy, but also on safeguarding the wellbeing of their citizens. They don't have to start from scratch but can build on the October 2021 toolbox, which aimed to address the immediate impact of price increases and strengthen resilience against future shocks.<sup>13</sup> Multiple member states have also attempted to create social answers to the current energy crisis and can be used as inspiration.<sup>14</sup>

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<sup>12</sup> Nature Climate Change, 7 March 2022, [The importance of perceived fairness to public opinion about climate change policies](#)

<sup>13</sup> European Commission, 13 October 2021, [Energy prices: Commission presents a toolbox of measures to tackle exceptional situation and its impacts](#)

<sup>14</sup> Euractiv, 27 June 2022, [Spain approves anti-crisis package targeting energy companies](#); The Czech News Agency, 23 June 2022, [PM Fiala: Energy prices will be a shock, but we won't let you down](#); Reuters, 22 July 2022, [Dimmed street lights, shorter showers: Germany leads Europe energy savings drive](#); Le Monde, 27 August 2022, [Un « fonds vert » de 1,5 milliard d'euros pour accompagner les collectivités locales dans la transition écologique annoncé par le gouvernement](#); Bruegel, 10 August 2022, [National policies shield consumers rising energy prices](#)



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The further process should be fed by close interaction with civil society and social partners. This is important not just in terms of transparency, oversight and accountability, but also in ensuring that the proposed measures respond to needs on the ground. This is moreover a requirement of the Commission's Better Regulation Framework.<sup>15</sup>

### **Climate commitments concerns**

**Finally, climate commitments are relegated to playing second fiddle, again analogous to past Commission actions in response to Russia's invasion of Ukraine and the energy crisis.** This marks another missed opportunity to properly frame the long-term climate commitment strategies as guidance for short-term responses, as set out in the European Climate Law. The fact that climate action is not the cause of today's hardships, but instead one of the solutions, must be brought forward throughout these responses.

**This regulation in particular could have been easily connected to preserving strong climate ambition.** Instead, it does not feature the term "climate" even once. The European Commission should amp up on delivering the EU's climate commitments, instead of pleading for a sloppy implementation of "Fit for 55" by member states. Climate ambition should be safeguarded through action from both Commission and member states. This can for example be done by:

- > Linking gas cuts more explicitly with investments in and incentives for renewable energy and energy efficiency.
- > Avoiding lock-in of fossil fuels through short-term crisis measures.
- > Guiding the development of compensation measures for citizens and businesses directly by their impact on the long-term climate goals.
- > Putting in practice the European Climate Law's checks for policy consistency with climate goals,<sup>16</sup> even for short-term crisis measures. The new European Scientific Advisory Body for Climate Change should be consulted in the assessments. Ideally, they could also play a role in developing policy answers.

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<sup>15</sup> European Commission, 2021, '**Better Regulation' toolbox 2021**

<sup>16</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), Article 6, 4: "The Commission shall assess the consistency of any draft measure or legislative proposal, including budgetary proposals, with the climate-neutrality objective set out in Article 2(1) and the Union 2030 and 2040 climate targets before adoption, and include that assessment in any impact assessment accompanying these measures or proposals, and make the result of that assessment publicly available at the time of adoption."





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## Need for a further-reaching toolbox

Following up on REPowerEU, the Winter Plan provides a welcome next step to bringing EU member states closer together in coping with the expected exacerbation of the current crisis. Coupled with the vigour that marked the unusual quick endorsement of the proposed regulation by the Council, this creates a window of opportunity to build implementation tools and plans that truly deliver a solidarity-based joint European crisis response. **The time is now to introduce a full-fledged wartime approach to the EU's economy and use of resources, by introducing policies that close the gaps that were identified in this briefing.**

The E3G tool below can help policy makers develop the necessary measures. It takes into account multiple benchmarks that are important to consider during the development of crisis response measures. The benchmarks are built on the gaps mentioned above: solidarity concerns, social concerns and climate commitment concerns. Considerations on impact – including cost-effectiveness – and timeliness were also included in the design of the scoring tool.

This analytical tool aims to facilitate proactive assessments of policy plans that are considered in response to the crisis. It also seeks to open the dialogue between different policy areas, enabling cross-topic cooperation and approaches between policy makers, academics, and civil society organisations.

*Figure 1. Analytical scoring tool to proactively assess policy plans.*





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The analytical tool assesses the potential of crisis response measures. It requires scoring on four levels:

- > **Impact**, defined as limiting the potential negative effects of the current crisis on the EU and its member states. This includes the impact on other member states (in case of a national measure) and international consequences.
- > **Speed**, defined as the potential to be implemented in time to mitigate the effects of a winter crisis.
- > **Social fairness**, defined as the potential to reduce the disproportional effects on living situations of vulnerable people/households and enabling their participation in a just energy transition.
- > **Compatibility with the climate commitments**, which can be based on the existing framework of do no harm and EU Climate Law principles.

Policy plans that score high on all of these levels – thereby swiftly and simultaneously answering to energy, climate and social concerns – have the potential to provide the right answers for the upcoming winter crisis, as well as to guide the EU through the following ones. It is now up to policy makers to opt for those options.



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## About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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