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**COMMUNICATION FROM THE COMMISSION**

**"Save gas for a safe winter"**



## **“Save gas for a safe winter”**

*Europe needs to prepare now for potential further disruptions - even for a complete cut-off - of Russian gas supplies. The European Council in its conclusions of 31 May and 23 June has asked for this preparation to be carried out as a matter of urgency and in particular to enable closer coordination with – and between - Member States.*

*This Communication reviews the current situation and the successful steps that have already been taken, sets out the tools that Europe already has available for a coordinated demand reduction, and what else needs to be done, so that in the event of further disruptions, or a full cut-off, Europe is ready. In the spirit of European solidarity and cooperation, we need to ensure that the gas flows where it is most needed, protecting both our domestic users as well as our jobs and the economy as a whole.*

*The Commission has already put forward the REPowerEU Plan aiming at ending our dependence on the supply of Russian gas as soon as possible. This Communication sets out further necessary steps to reduce demand for gas. This coordinated demand reduction is the key to minimizing cost and disruption later in the year. Energy saved during the summer is energy that can be used in winter.*

*Coordinated action now will be more cost-effective and less disruptive to our daily lives and to the economy than impromptu action later when gas supplies could be running low.*

### **1. Preparing for the winter**

#### **What is the situation today?**

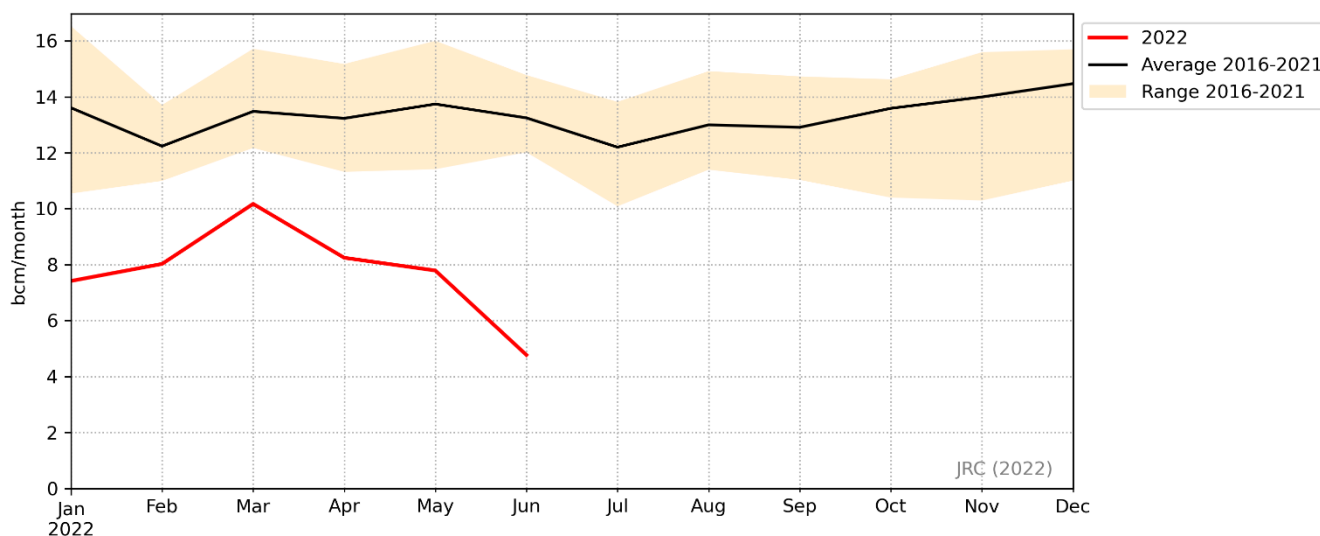
For many years, Russia has been the main gas supplier of the EU. As of last year, the EU relied on Russia for 40% of its gas supplies.

Since the past year Russian gas supplies have been declining markedly in a deliberate attempt to use energy as a political weapon. Pipeline flows of gas from Russia across Belarussia have stopped and have steadily decreased through Ukraine. Supply to the Baltic States, to Poland, to Bulgaria, to Finland has also stopped. Supply to Germany, Denmark, the Netherlands and Italy has been reduced. Since mid-June 2022, flows through Nord Stream 1, the largest import route to the EU, have been cut by 60%. Overall flows from Russia are now less than 30% of the average of 2016-2021. Partly this is due to successful efforts to boost our supply from other sources, notably LNG, which have replaced Russian gas on spot markets. But partly this reduction has been the result of sudden, unwarranted, and unilateral actions by Gazprom to reduce or stop deliveries to European customers with a view to disrupt economic activity and manipulate prices.

This sequence of supply reduction has led to historically high and volatile energy prices, contributing to inflation and creating a risk of further economic downturn in Europe.

There is no reason to believe this pattern will change. Rather, a number of signals, including the latest decision to reduce further supply to Italy, point to a likely deterioration of gas supply outlook.

The EU must therefore anticipate such a risk and prepare in a spirit of solidarity for a protracted and possibly full disruption of gas from Russia at any moment. It must take immediate preventive steps to anticipate further disruptive actions and strengthen its resilience. This means building on the tools the EU already has at its disposal, accelerating the diversification measures set out in REpowerEU but the EU must also stand ready to reinforce its instruments as this unprecedented situation develops.



(Graph: Flows from Russian gas in 2022 compared with previous years.)

This Communication sets out the actions that Member States should undertake immediately and jointly, in the spirit of solidarity and to the benefit of all, to considerably reduce the risks of unbalance between supply and demand next winter and beyond, and thereby increase our resilience and limit the impact on prices. A strong and credible demand reduction plan will in particular provide greater certainty in an unstable market situation.

By taking those measures, Member States can significantly reduce the risks associated with possible severe gas shortage, both for domestic consumers and also for industry, particularly for the critical industries that are so important relevant for the EU supply chains and our overall competitiveness.

**Which tools does the EU already have at its disposal to ensure its security of supply and what actions have been taken to diversify supply before the current crisis?**

EU energy policy has pursued the objective of ensuring a **secure, affordable and sustainable energy system**.

It has made big progress in the past 10-15 years, kick-starting the **clean energy transition with the aim of becoming fully carbon-neutral by 2050, with the important intermediate step of cutting emissions by 55% by 2030 as outlined in the European Green Deal.**

Drawing from the lessons learned from the energy crises of the last two decades and from our reinforced actions taken after the invasion of Crimea in 2014, the EU has now a solid regulatory framework for its security of gas supply and an increasingly interconnected energy internal market capable of bringing gas where it is needed.

Under the Gas Security of Supply Regulation: Member States must have national preventive action plans based on common risk assessments carried by regional groups organised along the supply routes. Three national crisis levels are defined: *Early Warning, Alert and Emergency*. The measures to be taken in each of those levels are defined in the national plans. The principle is that gas flow restrictions, rationing, and curtailment are taken as a last resort, when all other options - such as alternative fuel switching options - have been exhausted, enabling the balance of supply and demand in an emergency.

The Commission can declare a Union Emergency or a Regional Emergency for a specifically affected geographical region upon the request of one or more Member States. In such cases, the Commission coordinates the actions of the concerned Member States along with crisis managers appointed by the Member States and can act as a moderator if measures are introduced which can unduly restrict the flow of gas to the detriment of the security of supply of other Member States. This includes actions regarding third countries and notably with the Energy Community countries, where appropriate.

A solidarity mechanism guarantees supply to ‘protected customers’ defined as households, district heating that cannot switch to other fuels, and - under certain conditions - certain essential social services. In a severe emergency, directly connected Member States have an obligation to provide solidarity to each other, subject to fair compensation.

A European Gas Coordination Group, an expert group chaired by the Commission composed of experts from Member States, the relevant European associations and the Energy Community Secretariat monitors closely the EU’s security of supply and coordinates actions as necessary.

In addition to the legislative framework, in reply to the gas supply crisis in 2009, the EU has pursued an active policy over the last decade to diversify gas supplies and routes. Thanks to investment in cross-border gas infrastructure, reverse flow projects and LNG terminals in the Baltic, Central-Eastern and South-East European region. This includes the Projects of Common Interest in the framework of the Trans-European Network for Energy (TEN-E), many of which have benefitted from EU financial support through the Connecting Europe Facility.

### ***Key projects of the last decade***

- Klaipeda, Świnoujście and Krk, but also pipelines such as BRUA<sup>1</sup> or the Baltic Pipe, the historic isolation of specific regions has been greatly reduced.
- The EU has opened the Southern Gas Corridor with the completion of the TAP and TANAP pipelines which now flows gas from the Caspian Sea directly to Europe.
- Other important projects include the gas interconnector between Poland and Lithuania (GIPL), the Baltic connector between Finland and Estonia, the Poland-Slovakia interconnector, and the Greece-Bulgaria pipeline (IGB).
- The last two of these will become operational shortly and will have a key role in ensuring gas supply for next winter for Bulgaria and Poland, two countries to which Russia has recently cut gas supply.

While dependence on Russian fossil fuels has remained high and even increased over the past years, the above developments have significantly improved our security of supply situation and effectively created the basis for ending single-source dependence on Russian gas import for all individual Member States, through a combination of providing access to LNG and new pipeline gas sources. This includes the historically most vulnerable countries, such as Bulgaria and Finland.

### **What has the EU done to ensure security of supply since Russia's invasion of Ukraine?**

Against this background, following the Russian invasion of Ukraine, the EU has set out the RepowerEU Plan with the aim to end the EU's dependence on Russian fossil fuels, at the latest by 2027. To achieve this, the REPowerEU Plan sets out measures related to energy savings and energy efficiency, and proposes an accelerated roll-out of clean energy to replace fossil fuels in homes, industry and power generation. In this context, the EU has taken further measures to reinforce its security of supply and further diversify its supply, tackling both the supply and the demand side. In particular:

- New EU legislation was proposed in March 2022 to ensure the filling of underground storage for the coming winter, was adopted on 29 June<sup>2</sup> and entered into force on 1 July. Gas storage levels were worryingly low during the last winter – 10 percentage points lower than in 2016-2018 – but despite reduced levels of Russian imports and high prices which reduce the incentive for storage, levels are now again in line with the historic average – currently at above [X]%, equalling [X] days of winter consumption.

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<sup>1</sup> The Bulgaria, Romania, Hungary, Austria gas interconnector

<sup>2</sup> Regulation 2022/1032 on gas storage

- The Commission has carried out in February and in May an in-depth review of all the national emergency plans based on a shared analysis, allowing Member States to reinforce their preparedness for possible wide scale disruptions, and has carried out in depth monitoring of the security of supply situation and risk assessment, both with regard to gas and electricity, in close cooperation with Member States, ENTSOG and ENTSOE.

A number of actions has been taken to diversify supply. The Commission set up an informal task force, which has now evolved into a fully fledged EU Energy Platform, to work urgently to aggregate demand at the regional level, to ensure the best use of infrastructure so that gas flows to where it is most needed and to reach out to international supply partners such as the US, Qatar, Azerbaijan, Norway and many others including the major gas companies. To that end, the Commission has now established 5 regional groups of the task force. Since the beginning of the year, the EU has received unprecedented amounts of LNG and additional pipeline gas to Europe partially making up for losses of Russian gas. LNG imports were 60% higher in the first half of 2022 than in the previous year, reaching between 11 and 13 bcm per month which is close to the maximum current import capacity of the EU, and imports from Norway and from the Caspian Sea increased by 8% and 70% compared to the previous year. LNG imports from the US amounted to 30 bcm, in comparison to the total of 22 bcm in 2021. The share of the US in the EU LNG imports was around 46% in June. At the end of March 2022, the EU and the US agreed in a joint statement to envisage an increase of 15 bcm of EU LNG imports from the US in 2022. The regional group for South-East Europe set up by the Task Force has already adopted an action plan which will help Bulgaria and its neighbours to replace Russian gas supplies. Thanks to a liquid and interconnected gas market, gas could flow from Western to Eastern Europe at maximum capacity.

[to be added - Numbers on acceleration of renewables including expected capacity additions in 2022 and 2023. And some lines of what energy efficiency efforts have already contributed to reduce gas consumption].

The EU gas system has more than compensated for 25 bcm of reduced Russian imports and the additional volume it needed to refill storage with 21 bcm of LNG additional supply from non-Russian providers and 14 bcm of additional pipeline imports from Norway, Caspian Sea, UK and North Africa.

The range of measures taken since February, including those aimed at strengthening the EU security of supply framework, are geared to manage a progressive full phase out from Russian gas by 2027 and reduce the risks stemming from a major supply disruption from the East.

However, the latest set of disruptions on the gas supply from Russia suggest a sizeable risk that a complete halt of Russian gas supplies may materialise already this year and in an abrupt and unilateral way. The EU needs to be prepared for this scenario and to consider additional measures commensurate to the challenge this entails. Reducing gas consumption in an orderly fashion now will mitigate future costs for society.

## **What else needs to be done?**

*[diagram to be added]*

### ***Coordinated demand savings in the spirit of solidarity to anticipate and mitigate the risks of a full Russian gas disruption***

Simulations carried out by ENTSOG indicate that the gas shortage in case of a full disruption as of July would lead to a storage filling rate likely to result in falling short of the 80% target for November set out in the new EU Storage Regulation notwithstanding the current good progress achieved to date. The simulations suggest that storage could be as low as 65% to 71%. The simulations indicate a gap of 20 bcm during the winter under normal winter conditions based on annual demand of 380 bcm. There would be a risk of storage in several Member States running very low by the end of winter. This would make it very challenging to carry out the necessary replenishment of storage in the summer of 2023, in the likelihood of still tight gas markets. Furthermore, in the event of unusually cold weather, the risk of further drastic curtailments would increase.

Should a disruption occur at a later stage, in October or in the following months, the risks of unserved demand over the winter would be lower, but there would be less time to address the situation.

The materialisation of a severe *unprepared* gas disruption in the winter 2022-2023 would have significant effects on the European economy, and it would affect all Member States, even if the immediate impact would vary - the impact in each Member State would depend on the current level of imports of Russian gas, the potential to diversify sources at short notice, the role of gas in the energy mix and the industrial fabric.

Protected customers, notably households, represent less than 37% of total EU consumption and the simulations carried out by the Commission show they would not be impacted by large scale Russian disruptions, unless they happen in combination with other currently unforeseen events.

Yet, abrupt cuts could damage specific branches of those industries which have little room to switch to other fuels - because gas is being used as feedstock for industrial processes – or to reduce production without heavy damage.

Conversely, anticipating reduction now would allow to design targeted incentives to the industries with a potential to reduce their consumption for instance by switching to other fuels. The Commission's analysis shows that it would be significantly less costly to moderately reduce natural gas demand for a longer period of time, starting earlier, than having to drastically curtail demand<sup>3</sup> suddenly and without proper preparation.

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The same simulations indicate that by anticipating demand reduction, the network operators could optimise the capacity of the network, transport more gas from the west to the East in a timely manner and fill more storage where capacities are available. This anticipated, distributed reduction of demand would overall reduce any potential shortage by more than half.

An EU coordinated response before the winter and in solidarity between Member States could limit the negative impact on GDP of a major disruption. Starting to reduce demand now would allow additional costs to be reduced and spread over time and for a coordinated design and implementation of measures at EU level.

**Acting now could reduce the impact of a sudden supply disruption by one third.** In the absence of such actions, GDP could decrease by [X% to Y]% in the absence of anticipated and coordinated action compared to [Z]% if the EU acts now. For Member States in Central and Eastern Europe most dependent on Russian gas imports, the impacts would be more severe and could reach [ X to X ]% of GDP.

The next section outlines the Plan attached to this Communication – in the form of guidelines to Member States, based on best practice in the national emergency plans and on targeted consultations with industry.

## **2. A plan to managing gas demand and prioritise critical customers**

### **The European Gas Demand Reduction Plan**

In the current circumstances, through targeted regulatory interventions and incentives starting in the summer, combined with the potential of the savings stemming from the implementation of the Energy Savings Plan, it is possible to reduce the cost of possible large shortage in the winter. This would also spread the reduction over time, help transport more gas from the west to east, better fill storage and send signals to consumers with potential to switch at lower cost. The reduction needed as from the summer would be X% compared with a later reduction.

This reduction can be further achieved by implementing the gas savings measures in all sectors and using smart prioritisation criteria identified in the attached document. This is the essence of the European Gas Demand Reduction Plan to get Europe prepared to tackle all scenarios next winter.

The Plan sets out the principles and criteria for coordinated demand reduction aimed notably at not only protecting households and essential users like hospitals, but also protecting industries that are decisive for EU supply chains, competitiveness and the provision of essential products and services to the economy. It builds on the existing national emergency plans and existing best practices.

**Managing demand should target as a priority those sectors with better substitution possibilities and offer more possibility for sharing the burden across the economy while protecting GDP and employment, such as consumption in certain public buildings. There would be less risks for downstream bottlenecks and inflationary pressure and foster hedging to unforeseen risks (e.g. severe winter).**

### **Everyone can save gas, now**

The REPowerEU plan in May showed the potential to reduce 13bcm of consumption of natural gas through personal choices and voluntary actions (e.g. households, public buildings...). See COM(2022) 240 . The higher the reduction via voluntary actions, the less need for a mandatory curtailment for industry down the road.

Every citizen, every household, can save gas. Gas is consumed for heating, in gas fired power plants and by industries following a priority order stemming from existing EU and national security of supply rules. Households, district heating and certain essential social services are ‘protected customers’ in the meaning of the Regulation and therefore would be the last to be curtailed in case of severe shortage. The supply of gas for heating is thus guaranteed by the current EU Regulation on security of supply.

During an emergency, Member States may decide to prioritise the gas supply to certain critical gas fired power plants over the gas supply to certain categories of protected customers insofar as the security of electricity supply could be at risk.

However, the fact that the supply of gas is guaranteed for heating and certain critical gas fired power plants should not prevent public authorities from taking further actions to reduce consumption of gas by protected customers and for electricity production. This is essential to avoid having to curtail industrial customers which are possibly critical for society and the economy.

### **Reduce heating and cooling**

The Energy Savings Plan of 18 May under REpowerEU<sup>4</sup> already identified a range of potential savings measures in buildings. Gas savings can already materialise during the summer by reducing the electricity consumption (and hence indirectly the gas consumption) of cooling. During the ‘gas winter’ (October-March), large savings can be achieved by deploying alternative heat sources for district heating, heat pumps in households, gas saving campaigns targeting households to decrease the thermostat by 1° **but also by mandating, where technically feasible and enforceable, reduced heating of public buildings, offices, commercial buildings (in particular large buildings) [to 19°] and open spaces like outdoor terraces.** The role of public authorities in leading by example and as an important gas consumer – 30% of the energy consumption - , is key in this regard.

### **Switch fuel (and domestic productions)**

The Commission asked the European association of transmission system operators for electricity to estimate the impact of possible gas shortage on electricity production. According to a first

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<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0240&from=EN>

estimate, half of the gas consumed in the electricity sector is considered as critical to ensure the security of electricity supply. Further analysis is on-going as to the electricity winter preparedness which should take into account the availability of nuclear plants and hydropower reserves potentially more affected this year. However this first estimate points to the possibility to save a significant amount of gas by switching to other fuels.

The choice of energy sources is ultimately up to each individual Member State while taking into account the EU's 2030 climate target, as well as the long-term climate goal, the impact of its decision on the other Member States and the collective EU immediate security of supply. In the on-going work to reinforce national preparedness and review the planning of the phasing in and out of power plants, this assessment of the European impact should be done in the light of the new circumstances. This is a key aspect of the national electricity risk preparedness plans under the Regulation of Risk Preparedness in the electricity sector<sup>5</sup> that the Commission is reviewing.

Switching to other fuels, be they less or more carbon-intensive than natural gas, would normally happen automatically due to the high gas prices. However fuel switch to biomass or diesel requires making sure that sufficient quantities of those alternative fuels are made available to the sites using them. This requires appropriate measures to store and monitor the security of supply of these alternative fuels. Some Member States have allowed coals/lignite plants to come online again or produce more. Others have postponed the phasing out of nuclear power plants.

In any event the import ban of coal and oil from Russia as part of the fifth and sixth package of sanctions must be carefully considered. In the case of oil, the optimal management of the existing emergency stocks is an essential element. The existing emergency oil stocks provide a safety net, to be used in accordance with the EU rules and national contingency plans.

Fuel switching may also have an impact on air pollution. The Commission has already clarified that the Industrial Emissions Directive allows to derogate from its emission limit values, in case of an overriding need to maintain energy supply. This derogation is possible for as long as need persists and it is the responsibility of Member States to decide to balance the security and environmental needs depending on local circumstances, provided that the Commission is duly informed. Similarly, the Court of Justice has ruled that the fuel switch of a power plant does not qualify as a project requiring a new authorisation. The amendment of the Temporary Crisis Framework for State Aid provides for the possibility of granting aid for fuel switching, in particular for sectors and value chains of key and critical importance which, if disrupted, could negatively impact on security, food, health and safety at European and global level.

Fuel switching measures are by nature temporary and they should be designed in a way that does not compromise the medium term decarbonisation objectives and in light of the process of just transition in the coal regions, in line with the EU commitments and the need to accelerate the clean energy transition.

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<sup>5</sup> [EUR-Lex - 32019R0941 - EN - EUR-Lex \(europa.eu\)](#)

## **Market-based measures and smart prioritisation criteria for industry**

Industry is already adapting to the high energy prices. High gas prices reduced the EU gas demand by 5% compared to earlier years. This trend will continue in the new normal of high natural gas prices. The measures described above (e.g. savings, optimised gas flows,..) would protect the industry.

Furthermore, in the industry sector, the next response could focus on market-based measures to incentivise demand reduction and limit damage to society and the economy. Gas is used as feedstock and energy source by industries whose technical potential and cost to switch fuel or reduce consumption drastically vary from one sector to another. Market instruments are an effective way to elicit the most favourable reduction options.

**The Commission strongly supports best practices, such as the idea of auctions or tender systems to incentivise a reduction in consumption from industrial consumers** by letting industries offer gas consumption reduction in return for compensation. These auctions or tenders could be organised at cross-border level for maximising the possibilities of large cross-border customers who operate in multiple Member States and for Member States with less fiscal means.

Other similar market-based measures already foreseen in the national emergency plans include so called ‘interruptible contracts’, i.e. a flexibility measure where pre-determined financial compensation is granted, as compensation for a pre-determined level of gas volume reduction for the period of disconnection.

After such measures have been exhausted, Member States may need to start curtailing partially or fully specific consumer groups they have identified in a pre-defined order in their emergency plans. Approaches to such prioritisation differ among Member States and may or may not consider a wider impact on critical segments of the EU or global economy. The attached European Demand Reduction Plan provides guidelines to Member States to potentially review and improve their own priority order by using common principles and criteria so as to minimise the socio-economic impact in a wider EU context, of possible wide scale disruption from Russia, while maintaining European solidarity. In the event of targeted curtailment it will be critical to mitigate its socio-economic impact.

### ***Stronger governance to ensure coordination and solidarity***

It is clear that the situation requires a strong coordinating mechanism to enable the Commission and Member States to further strengthen their cooperation in a coordinated way to address different aspects of the crisis as it develops. For this purpose, the Commission proposes using the Energy Platform established under REPowerEU, as an effective and established senior official group meeting at the level of Directors General of Energy, co-chaired by the rotating

Presidency and the Commission, and reporting to established EU structures<sup>6</sup>. This will reinforce the existing Gas Coordination Group by enabling it to meet at Director General level, monitoring the impact of demand reduction on critical sectors and value chains across the EU, and enable the necessary exchange of information.

#### **4. Conclusion (to be complemented/adjusted later)**

The current serious exceptional context caters for exceptional measures building on solidarity among the EU Member States, the existing security of supply tools and REPowerEU. Preparing for possible major disruptions ahead of or during the next winter is vital for the resilience of the EU and the credibility of its response to the unfolding events in the geopolitical arena.

**Independently of a short term full disruption, early joint action at EU level at this critical moment of the storage filling process will reduce the need for possible and more painful demand reduction later in the winter, in case of interruption of flows from Russia.**

**By implementing a strong and credible demand reduction in a coordinated way under the Energy Platform, the EU can send a powerful signal to the market that Europe is ready for further disruption, more resilient, better able to tackle unforeseen developments, and can help mitigate their price and economic impacts.**

To enable a smart reduction of gas consumption, **the proposed European Demand Reduction Plan provides a common tool and guidelines** for Member States to reduce rapidly and cost effectively demand to a level adequate to go through next Winter and prepare for next steps. The objective is to allow for coordinated demand side measures and criteria across the EU, in a spirit of solidarity, as requested by the EU leaders. It will reduce uncertainty, risk premia on energy markets, help fill more storage, prioritise gas where it is most needed. Ultimately, it will make the EU and its Member States stronger in the face of possible major gas supply disruptions by and in the next winter. Best practices such as **joint auctions to reduce consumption while reducing heating in public buildings should be urgently considered.**

Regional cooperation and solidarity will be more essential than ever to ensure the resilience of the Union. Solidarity should ensure that flows and access to storage across borders will remain possible in all situations.

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<sup>6</sup> The Energy Platform would report both to COREPER I (and the TTE Council) and to COREPER II (and the European Council). Representatives of the European Parliament (ITRE Committee) would also be invited as necessary.

**Annex 1 – European Gas Demand Reduction Plan**