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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Preparedness for next winter - State of play - Exchange of views

Delegations will find in the Annex the Presidency background paper on the above-mentioned subject in view of the Extraordinary Transport, Telecommunications and Energy Council on 9 September 2022.

ANNEX

Preparedness for next winter

Presidency background paper

State of play and recent developments

Up until last year, the EU relied on Russia for more than 40% of its gas supplies. However, since 2021 and notably since the start of the war, Russia has manipulated and disrupted gas supplies to Europe, which has led to a serious security of supply situation, with a growing risk of further disruptions in the upcoming months, including very recently the total and “indefinite” interruption of Nord Stream 1 pipeline operation.

Flows from the East and supply disruptions

Since the start of the war, 13 Member States have been partially or totally cut off from Russian supplies already. Flows from the East have been reduced by 76% and are currently at 106 mcm/d, with flows from Nord Stream 1 at 20% of its maximum capacity and flows from Ukraine reduced by 83% (at 35 mcm/d). Nord Stream 1 was completely shut down on 31 August for alleged maintenance reasons with unknown date of restoration. Other routes, such as Yamal, have been shut down since March. As a result of the gradual deterioration of supplies from Gazprom, 11 Early warnings have been issued by Member States, and with Germany escalating to Alert level.

So far, the European gas system showed resilience and has been able to absorb alternative gas supplies to replace Russian gas and guarantee gas supplies in all Member States. In the period, Jan-July 2022 Russian gas supplies decreased by 32 bcm (34%) against the same period 2021. Non-Russian gas supplies increased by 31 bcm (24%) in the same period.

However, these manipulations affected severely our energy markets and led to increased prices. These high gas prices are having cascading effects on electricity prices leading to important negative effects on society. We also start seeing in Europe an increased number of factories halting production or even closing entirely, as the high energy prices led to their economic non-viability.

Diversification of supplies

The Commission is working with international partners to identify alternative gas supplies under the EU Energy Platform. This has led to an increase of non-Russian LNG deliveries to the EU by 19 bcm and of alternative pipeline supplies by 14 bcm in the first half of the year.

According to the mandate given by the European Council, the Commission has set up a Task Force to coordinate and facilitate joint purchases through the aggregation of demand, to work with Member States in order to optimise the use of infrastructure and address any bottlenecks through new regional groups, and to coordinate international outreach to third country gas suppliers.

Update of the European Security of Supply architecture

In application of the REPowerEU plan and in order to strengthen the EU preparedness for next winter, two regulations have been adopted, the Gas Storage Regulation, setting a target of at least 80% of storage filling level at national levels by November, and the Gas Demand Reduction Regulation, setting a target of 15% reduction of gas demand. These two regulations align with the European Council conclusions of the 31 May.

In order to protect the European market, additional measures coordinated at the European level are deemed necessary. The Commission is considering emergency instruments, which would supplement the existing instruments to deal with emergency and stabilize energy prices, to be adopted in an autumn package.

Demand reduction

On 20 July, the Commission adopted the “Save gas for a safe winter” Communication, accompanied by a proposal for a Gas Demand Reduction Regulation setting a 15% reduction of gas demand. The Regulation, which was promptly adopted by the Council, introduces a process for the Council to declare, based on a proposal of the Commission, a Union alert in case of a significant deterioration of the gas supply situation. To declare such a Union alert, there is a need to take in consideration various elements such as storage filling levels, alternative flows of gas and the achieved gas demand reduction through implemented measures.

It is of utmost importance that Member States start implementing demand reduction measures ahead of the start of the heating season. Two milestones will be crucial in the implementation of the Regulation by Member States. First, the update of the National Emergency plans by Member States by 31 October, which should contain the necessary demand reduction measures. Second, the reporting of demand reduction figures by 15 October, which will occur on a bimonthly basis.

Storage

As of 4 September, storage filling levels in the EU are at 80.8%. The implementation of the Gas storage regulation adopted in June is progressing. We are on the right path to reach at least 80% of storage filling level in all Member States. While the pace of filling can slow down in several Member States, efforts should continue to first achieve the highest filling level possible and second to prevent hasty withdrawals before and during the winter.

All Member States are currently aligned with the filling trajectories. However, the first difficulties in meeting these targets may be seen as heating systems start to be used again.

Questions:

1. *How do you assess the level of winter preparedness in your Member State? Would you envisage any further measures at the EU-level in this respect?*