

Press release – 14 October 2021

High energy prices: IFIEC welcomes the EC toolbox, but more is needed...

Brussels, 14 October 2021 – IFIEC Europe shares the Commission’s analysis in its toolbox for action and support against rising energy prices in Europe. But more is needed: the EU and Member States must provide a coordinated response to mitigate the impact of skyrocketing natural gas and electricity prices, and to create a favourable investment climate both for new industrial activities and the electrification process crucial to European climate policy and the circular economy.

Industrial consumers are directly hit by energy prices rising significantly faster in Europe than in other parts of the world. Energy is a substantial component of total production costs, and the most important one for energy-intensive consumers. While global energy prices have surged since the beginning of this year, Europe in particular sees historically high prices for natural gas and electricity. Gas prices are pushed up by recovering demand and concerns over storage filling levels ahead of the winter. This translates into much higher electricity prices as well, as gas is often the fuel used once all renewable generation is being utilised. Moreover, electricity prices include the runaway price of CO₂ emission rights in the European Emission Trading System (ETS) and its UK equivalent.

European industry needs competitive energy prices in order to remain globally competitive, to attract investment projects for industrial development and innovation, and, last but not least, to contribute to European climate policy, e.g. through electrification of its production processes. The impact of higher prices is already leading to production plant closures or cutbacks for the most energy-intensive products such as aluminium, ammonia and zinc, unable to pass-through higher costs to their customers. Downstream activities will follow, having to face not only higher energy prices, but also more expensive raw materials or even shortages of some vital supplies. If sustained, this situation will disturb the logistic chain of several European industries and eventually lead to higher inflation, economic downturn and job losses.

IFIEC Europe calls upon European authorities to take all possible measures to restore competitiveness of energy prices in Europe, including:

- close monitoring of electricity and gas markets functioning
- fighting speculation in the ETS and releasing additional allowances into the ETS auctions
- adequately mitigating the direct and indirect impact of high CO₂ prices
- eliminating barriers for building new power production and ensuring access to competitive climate-neutral electricity
- stimulating market access for demand side flexibility and storage to the system
- allowing national governments to temporarily or permanently reduce or cap taxes and surcharges on electricity and natural gas for industrial users

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