14/22 2022

A grand bargain to steer through the European Union's energy crisis

Ben McWilliams, Giovanni Sgaravatti, Simone Tagliapietra and Georg Zachmann

EUROPE'S ENERGY SYSTEM .

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RUSSIAN MANIPULATION OF 2021,
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IN RESPONSE TO ,
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AN INTEGRATED EUROPEAN .
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Recommended citation
, ., . , . . (2022)
, *Polic Contribution* 14/2022,

1 Introduction

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1970 . ,

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Box 1: The role of markets in allocating scarce energy supply

2.1 Coordinating storage re lling

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(
et al, 2022).

2.2 Coordinating e cient reduction of gas usage

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3 Power markets

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14 Forward prices imply that traders are at time of writing willing to pay more than €200/MWh for power in winter 2024/25, while prices in the pre-COVID-19 winter were about €60/MWh. See Kuik

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Figure 5: Natural gas futures applied margin

Source: Bruegel based on ECB (2022).

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21 See for example Bank of England (2022): “

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j (*et al,* 2022), . ,

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Tackling fragilities in the European system of energy providers: recommendations

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5 National energy consumption subsidies

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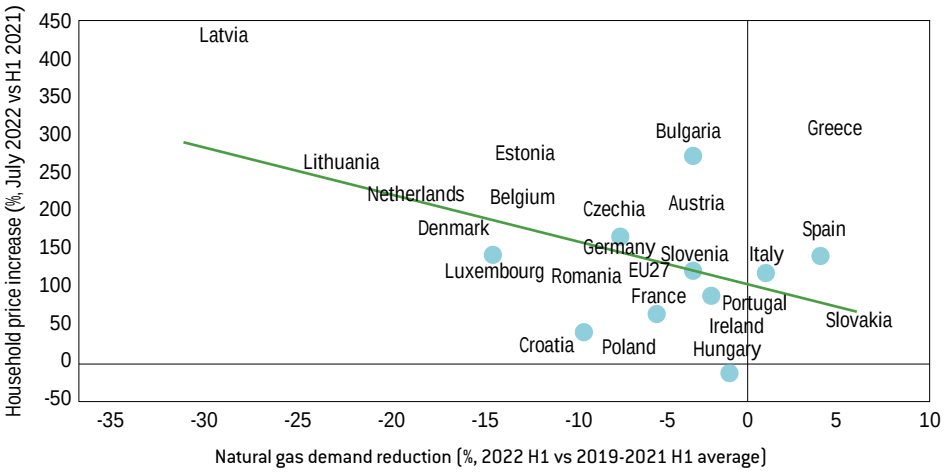
Figure 6: Price increases for households and gas-demand changes in EU countries



Source: Bruegel based on Eurostat and on the Household Energy Price Index (HEPI). Note: the HEPI collects price data in capital cities, these were taken as a proxy for the retail prices of the respective countries in July 2022.

National energy consumption subsidies: recommendations

6 Fiscal consequences

2021,

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Figure 7: Support provided by selected EU countries to their citizens and rms (Sept 2021 – Jul 2022)

Source: Bruegel, see Sgaravatti *et al* (2022).

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Defend market-based allocation of energy across borders

Compensate the most vulnerable

Enabling pareto improvements

(2022) *Financial Stabilit Report,* , ‹// . . . /
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- (2020) *Completing the map: Po er s stem needs in 2030 and 2040. Version for public consultation,* ,
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(2022) ’ /2022/230 , ‹// - .
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