



EUROPEAN COMMISSION

Thierry Breton
Member of the Commission

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CA.16/TB

Dear Minister,

At the Competitiveness Council lunch debate on 29 September successfully organised by the Czech Presidency, we had an extensive discussion on the impact of the energy crisis on our companies, and agreed on the need to urgently manage together the steep energy price increase and keep our industry operational over the coming months.

Indeed, after successfully diversifying our sources of supply and increasing our levels of strategic stocks, we need to tackle the issue of energy costs, which affects all companies in every single Member State very heavily: energy-intensive industries in the first place, but well beyond that, SMEs, mid-sized and large companies across all our industrial ecosystems. The consequences are already there: we see it with certain bottlenecks in the fertilisers or aluminium sector, with large sections of European industry now at a standstill, in what are critical industries for our continent.

For almost a year, the European Commission has been taking measures to support Member States, firstly through a toolbox and then by proposing more exceptional measures, such as the cap on inframarginal revenues from electricity producers and the solidarity contribution from fossil fuel producers.

Despite this progress, much remains to be done. Suffice to mention that our European industry faces energy prices 7 to 8 times higher than in the United States.

For our part, given our responsibility vis-à-vis our businesses, Europe's competitiveness, and the resilience of our single market, I believe it is vital that we continue our coordinated efforts to support our companies and our industry.

We will be faced with a choice: either we accept the closure of whole sections of our productive system, with employees out of work and markets lost; or we try to maintain our competitiveness as much as possible, for as long as it takes.

As agreed in our discussion, I would like to ask for your input on three main issues:

- 1) In order to better anticipate, be more reactive and act with utmost coordination upon disruptions in our value chains, I invite you to share with me your insights on the impact on the ground of the current crisis on our industrial ecosystems.
- 2) The temporary crisis framework for state aid, already modified in March and July, remains the quickest tool to support our companies. Beyond the necessary and agreed extension of this temporary framework, what is your position on the need for adjustments to facilitate, for example, measures to replace Russian gas, or to make access to aid more flexible and simpler, so that the companies affected can benefit more easily?
- 3) Is it appropriate to consider the issue of a regulatory moratorium, i.e. in the same spirit as during the COVID crisis, the opportunity to give a temporary and targeted relief to our companies to face short-term challenges? If so, do you have any concrete suggestions?

I would be grateful if you could share your feedback on these questions to GROW-COUNCIL-RELATIONS@ec.europa.eu by 10 October.

Of course, we will remain attentive, as in the past, to maintaining a level playing field, particularly with regard to those with less budgetary leeway. It is paramount that we act in collegiality and transparency vis-à-vis each other. Because a failure in one link of the value chain can have repercussions for the entire single market. Because we must avoid fragmenting the single market, encouraging a subsidy race, and putting the principle of solidarity into question, especially at a time when external measures such as the US Inflation Reduction Act threaten our ability to remain a top destination of investment.

Finally, after security of supply and the question of costs, the time will come for the third emergency: that of investments and more structural reforms. During our discussions at the COMPET Council, we touched on the issue of transformation technologies: wind, solar, hydrogen, heat pumps, and "smart" electricity networks – technologies that are essential to create a true decarbonised and electrical continent by 2050. Beyond the – admittedly indispensable – reform of the electricity markets, we must rapidly and drastically accelerate the deployment of transformational technologies. Building on the work already underway in the battery, clean hydrogen and solar photovoltaic sectors, I will engage with you shortly to develop a platform where policy makers, industry and banks can work on identifying:

- the investment and other needs for these transformative technologies;
- barriers to scaling up the manufacture of these technologies along European value chains;
- the levers needed to remove these barriers: e.g. access to finance, regulatory barriers, skills gaps, diversification.

The fast deployment of transformational technologies is the condition to emerge, together and from above, from the current energy crisis and to combine technological, commercial and climate leadership.

I would like to thank you once again for having expressed the common collective determination to move forward together and to safeguard our single market and the competitiveness of our companies, with solidarity and in a European spirit. We must help each other, pool our assets but also the means and tools that will enable us to face our difficulties together. Europe is our opportunity, let us not forget it.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Thierry Breton', with a stylized, cursive script.

Thierry Breton