

13/4/2022

# Ukraine crisis: security of supply and price impacts on the energy sector

## Europe's alternatives for gas supply

### ERRA Chairmen Meeting

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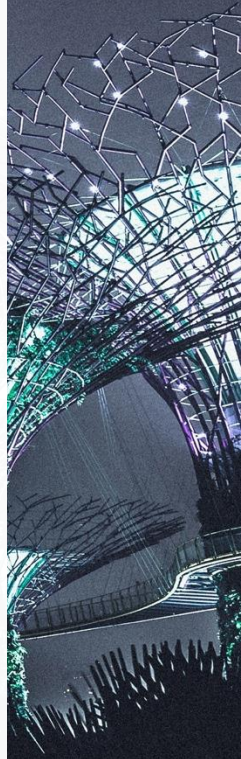
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# Preface

- Short term: targeted social measures
  - Lump sum payments, tax reductions, rapid EE
- Medium term: clean energy transition
  - Equity
- Revenue for government action
  - ETS & VAT
  - Windfall profit taxes

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# War changes everything

- Need clear (political) commitment to get and stay off Russian (and all) gas (and oil, coal)
- Focus on clean solutions
  - In line with a reloaded Green Deal
- Government intervention needed
  - Both the supply and the demand side
  - Bold action, not more of the same

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# EU can stop Russian gas imports by 2025

## Briefing March 2022

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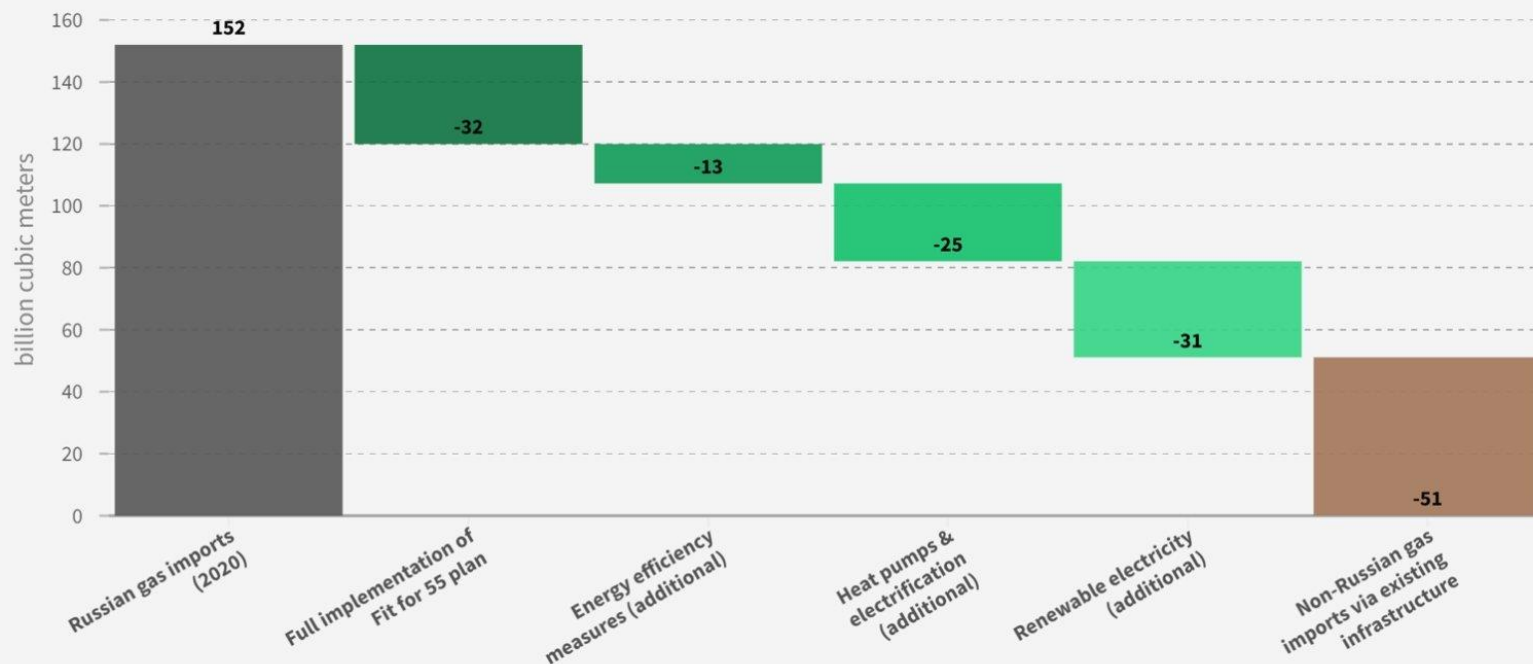
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# Accelerated investments

- Buildings: 2x deep renovation rate
- Heating: 3x heat pump installation rate, incl. **industrial** low temp. heating
- Renewables: 2x PV capacity, wind same

# EU can stop Russian gas imports by 2025

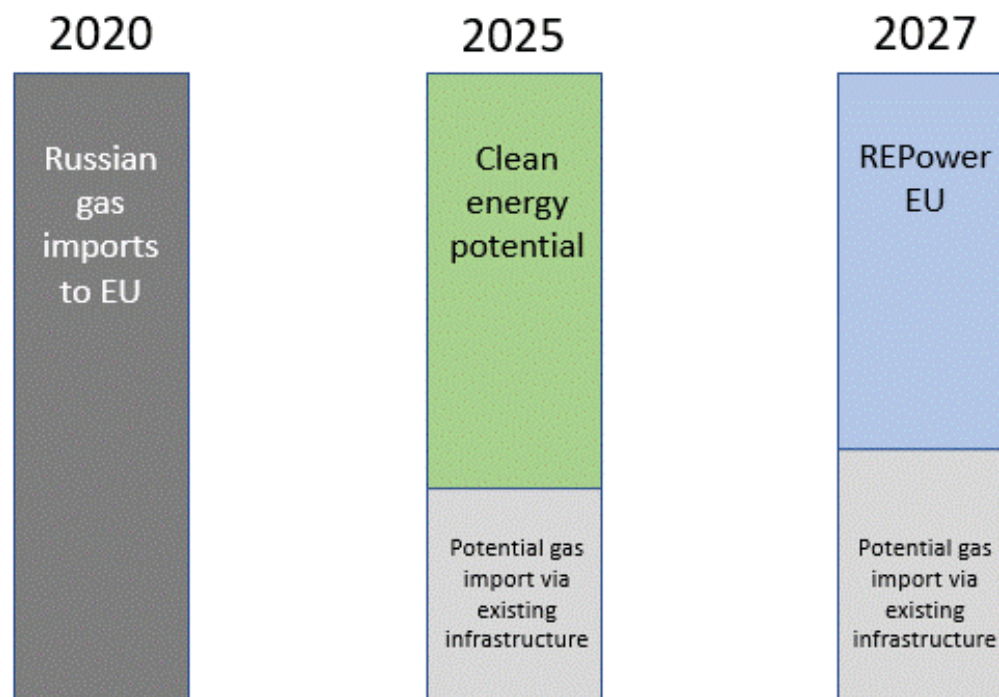
Russian gas imports cut by 2025 through the implementation of Fit for 55 plus additional clean energy solutions



Sources: Analysis by Bellona, E3G, Ember and Regulatory Assistance Project (RAP) • EU Commission model-based projections supporting the Fit for 55 policy initiatives (MIX scenario)



## Clean energy accelerating Russian fossil gas import phase out



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## KEY FINDINGS:



### **CLEAN ENERGY AND ENERGY EFFICIENCY CAN REPLACE TWO-THIRDS OF RUSSIAN GAS IMPORTS BY 2025.**

Russian gas imports can be cut by 66% by delivering the EU's Fit for 55 package and accelerating the deployment of renewable electricity, energy efficiency and electrification. This is equivalent to a total reduction of 101 billion cubic meters (bcm). An urgent uplift in policy is now required to achieve the necessary level of implementation.



### **NEW GAS IMPORT INFRASTRUCTURE IS NOT REQUIRED.**

Security of supply and reduction of Russian gas dependence does not require the construction of new EU gas import infrastructure such as LNG terminals. Alternatively sourcing 51 bcm of gas imports via existing assets is sufficient.



### **COAL POWER DOES NOT NEED TO BE EXTENDED.**

The above measures would enable the EU to achieve the necessary decrease in fossil gas demand without slowing the decline of coal-fired electricity generation.



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## POLICY

Make investments in energy efficiency an energy security priority and increase the ambition of and fast track key renewable energy and efficiency policy in the EU “Fit for 55” package.<sup>2</sup> Identify latent reduction potential that can be fast tracked in line with climate targets, in particular in industrial end use of gas, inefficiencies in gas use (transformation losses, methane leakage), and through electrification of end-uses.



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## SUPPORT

Support the roll out of renewables and electrification with investment programmes, administrative streamlining and a better market for demand side flexibility as well as long-term contracts. Clarify financial resources available to clean energy solutions under REPowerEU. Ensure that recovery funding allocated for clean energy is used to that effect.




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## CAPACITY

Put in place capacity to monitor and respond to low carbon supply chain risks and scale skilled workforce. Put in place European Commission capacity for a whole economy approach to driving and monitoring progress. Ensure equity in the energy response.



Descriptions	Cross-cutting	Efficiency and fuel switch - residential	Renewable energy	Efficiency and fuel switch - industry
PREREQUISITES	Make securing supply chains for low carbon materials and critical raw materials a security priority (e.g., steel, semi-conductors).	<p>End financial support for gas and hybrid heating systems.</p> <p>Scale up renovation advice with the Building Renovation Passport.</p> <p>Issue best practice guidance to Member States on potential savings from and mechanisms for promoting the rapid adoption of best-in-class energy efficient electrical appliances.</p>	Streamline and reduce administrative and regulatory barriers: Solar: solar PV roof mandate. Wind: accelerated auctions for new capacity (on-/offshore)	Conduct analysis of potential for faster gas phase out in EU energy-intensive industries.

Descriptions	Cross-cutting	Efficiency and fuel switch - residential	Renewable energy	Efficiency and fuel switch - industry
CRITICAL ENABLERS	Enhance the targets in the “Fit for 55” RED and EED legislation and fast track adoption and implementation. Reissue gas package proposal to support managed phase down of gas use.	<p>Require Member State programmes supporting switch away from coal heating to exclude switch to gas.</p> <p>Ensure mandates reflect efficiency as security priority (product design, building codes).</p> <p>Deploy programme for quick building passports training and mobilise skills in army to deploy towards installation of heat pumps/renovation.</p> <p>Launch a dedicated Heat Pumps Accelerator or ‘Sector Compact’ to boost the market, skills and supply chains for heat pump manufacturing and deployment beyond business as usual.</p>	<p>Policies and regulations to support industrial customers to invest in additional renewables capacity, power purchasing agreements and on-site distributed generation.</p> <p>Auction for double sided contracts for difference, providing upside for governments in times of high energy prices.</p> <p>Support long-term contracts (Power Purchase Agreements) and better functioning forward markets.</p> <p>Set timeline for establishing integrated North Seas Grid infrastructure to enable effective trading of resources.</p>	<p>Allocate funding under the new Temporary Crisis Framework and the Innovation Fund to electrification of low-temperature heat processes.</p> <p>Invest in skills and workforce training to increase confidence in and enhance access to engineering expertise in electrification technologies.</p> <p>Expand national energy audit schemes and allocate funding to cost reducing energy efficiency measures for small- and medium-sized enterprises.</p>



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SOCIAL PROTECTION & COHESION	<p>Secure sustainable financing of supplier of last resort.</p> <p>Invest in strengthening low carbon industrial base in Eastern Europe.</p>	Target financial support towards vulnerable consumers with gas connection or those planning to switch away from coal or oil heating.	<p>Unlock financial benefits of investing in distributed renewables via energy communities.</p> <p>Consider government backed long-term contracts (Power Purchase Agreements) for aggregated vulnerable consumers.</p>	

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# Short term decisions, long term impact

- Renewable hydrogen
  - Industrial feedstock, storage
  - Not for applications where efficiency and electrification are options
- Circular economy
- Improve low carbon supply chain risk management structures

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## BRIEFING

# EU CAN STOP RUSSIAN GAS IMPORTS BY 2025

ACCELERATING CLEAN ENERGY AVOIDS FOSSIL LOCK-IN



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<https://www.raponline.org/knowledge-center/eu-can-stop-russian-gas-imports-by-2025/>



# About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at [raponline.org](https://raponline.org)



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