WKO
WIRTSCHAFTSKAMMER ÖSTERREICH

Action Plan for Affordable Energy
Initial Assessment

Austrian Federal Economic Chamber - Wirtschaftskammer Österreich (WKO)
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WKO welcomes the fact that the European Commission, by presenting this "Action Plan for Affordable Energy" (Action Plan), is clearly demonstrating its intention to find solutions to key challenges faced by European businesses. A competitive energy supply is essential for all economic activities, and the rising energy costs are also linked to targets that the Union has committed to achieving, such as climate neutrality and the expansion of renewable energy. Accordingly, implementation of those targets must also be a joint effort. Many key aspects related to the competitiveness threatening level of energy costs are systematically addressed in the current plan.

At the same time, it must be noted that the proposed measures are, for the most part, recommendations or guidelines directed at the Member States. While such proposals remain necessary, the Action Plan as presented is not ambitious enough to effectively reduce energy prices and strengthen the competitiveness of European businesses. More effective steps are needed to achieve this. In our view, this particularly includes a transparent and clear strategy to increase the supply of primary energy – especially in view of the current critical geopolitical situation. Europe should leverage its strengths and opportunities.

The European economy, and especially the Austrian economy, requires policymaking to be guided by internationally competitive energy costs. In our view, dividing the response to these challenges between national and EU levels is counterproductive.

We suggest to improve the activities which we listed as following to become more concrete and targeted, particularly at the EU level. Therefore, a more specific contribution to achieving stable and competitive energy prices in the long term could be made:

1. The price of gas in the EU has nearly doubled year-on-year and, at its current level of around EUR 50 / MWh, is 2.5 to 4.5 times higher than the (fluctuating) prices in the United States. According to the merit-order principle, the gas price continues to set the electricity price during periods when demand cannot be met by other energy carriers. As a result, European gas and electricity prices are not globally competitive.

   In our view, the current Action Plan does not include sufficient measures that would lead to an actual decrease in gas prices – especially considering the risk of a complete halt in residual Russian gas supplies via the TurkStream pipeline (which supplies Hungary, Slovakia, and Ukraine).

   The following measures are, in our view, necessary:

   - A significant and transparent increase in the natural gas supply is needed to ensure gas availability until renewable gases can sufficiently replace it.
   - To avoid future dependencies, reliance on any single supplier region for more than one-third of total imports should be avoided.
   - European natural gas sources (especially Norway) must play a key role, alongside liquefied natural gas (LNG) deliveries – for example, from the U.S. – for which long-term supply agreements should also be considered.
   - Assuming an end to the war in Ukraine, the continued or resumed import of gas from Russia should not be categorically ruled out. This could also channel urgently needed financial resources into Ukraine through transit fees, supporting the country's reconstruction.

2. "**Network Charges**" (Pillar 1, Action 1a): The European Commission plans to propose a new design for network tariffs. This should definitely include cost-reducing incentives and objectives. In particular, the following elements should be considered: options for

government-backed financial guarantees, the introduction of an interest rate cap to protect against future increases in interest rates, the potential repayment of subsidies, and the use of storage technologies as a means to reduce costs.

3. **“Power Purchase Agreements (PPAs)”** (Pillar 1, Action 2a): We welcome the proposed measures. However, it should also be recognized that developing a functioning PPA market requires more than what is currently proposed. To ensure a minimum level of liquidity, each price zone should have at least one market maker to guarantee a baseline of supply and demand for energy over a period of at least three subsequent years. This mechanism should be introduced at the European level to enable cross-border projects and to keep hedging costs manageable.
4. **“Acceleration of Permitting Procedures for Renewable Energy Projects”** (Pillar 1, Action 2b): In addition, measures to strengthen public support should be strategically planned and implemented. It is the responsibility of policymakers to communicate these projects clearly and to ensure they are carried out in a fair and transparent manner.
5. **“Grids and Interconnectors as Enablers of Decarbonization and the Energy Transition”** (Pillar 1, Action 2c): The Action Plan rightly refers not only to electricity grids, but also to new hydrogen and CO_2 networks as well as local heating networks. However, it should not be overlooked that cooling demand in densely built-up areas is expected to increase. Therefore, both heating and cooling networks should be taken into account. Additionally, local conditions should be considered – particularly the use of waste as an energy source – in order to preserve established value chains and to harness environmental and energy efficiency benefits.
6. The **use and support of flexibilities** within the electricity system are addressed multiple times. We agree that leveraging existing demand-side flexibilities can help mitigate rising grid costs and should therefore be supported (Action 1a and Action 2d). Some industrial processes can indeed optimize their energy consumption over time, shifting usage to periods of lower grid load – for example, through batch production. However, this does not apply to processes that require a continuous supply of large amounts of energy (“continuous processing”).

   - Incentives in network tariffs should therefore be designed specifically to encourage the shifting of energy consumption where such flexibility is feasible.
   - End-customers who are unable to shift their energy consumption flexibly must not be disadvantaged as a result.

   It must therefore be attractive for both producers and consumers to behave in a grid-supportive and supply-dependent manner. This requires considerations around network tariffs that reflect the level of grid utilization.
7. **“Gas Infrastructure”** (Pillar 1, Action 3): In the section “Ensuring well-functioning gas markets” (page 17), it is noted that the EU and its Member States could support EU importers in financing investments in export infrastructure abroad. If there is a possibility for subsidized investments in fossil gas infrastructure outside the EU, then the same should apply to investments in gas infrastructure within the EU. Increasing the domestic gas supply within the EU helps eliminate political and economic dependencies.
8. **“Completing the Energy Union”** (Pillar 2, Action 5): The Action Plan announces, among other things, an Electrification Action Plan and a Heating and Cooling Strategy for the first quarter of 2026. However, electrification should not become an end in itself. All measures within the framework of the sustainable transformation must always be evaluated through the lens of economic and technical feasibility to identify the most appropriate solutions from a system-wide perspective. For example, not all

industrial processes can be powered by electricity – some require energy carriers with very high energy density, such as gases or oils.

The use of district and local heating and cooling systems, including the sustainable integration of waste heat, is welcome.

9. **"Being Prepared for Price Crises"** – We view the following passage from the European Commission critically, particularly in relation to the merit order principle (Pillar 4, Action 8): "Finally, as natural gas is expected to remain the main price-setter for electricity in the next years in the EU, the Commission stands ready to support Member States when designing State aid measures, to empower them to address extreme price spikes and exceptional price environments to decouple the translation of high gas prices into electricity prices, based on proven models in emergency situations."

   If a small Member State like Austria – with high electricity interconnector capacities to its neighboring countries – were to subsidize, for example, the natural gas used for power generation through state aid measures, the resulting relatively low-cost electricity would be immediately purchased by the electricity markets of Austria's neighbors. The intended energy cost relief would be absorbed by the disproportionately large neighboring markets and thus rendered ineffective. This makes unilateral measures by small, landlocked countries practically unfeasible.

   Supporting Member States in implementing state aid measures is therefore not sufficient, as electricity pricing in Europe is determined by the merit-order principle. The European Commission must also allow accompanying measures to prevent subsidized natural gas – used for electricity generation in individual Member States – from being exported as lower-cost electricity into other EU Member States. Without such safeguards, the intended reduction in electricity prices will not materialize in the countries that are willing to use public funds to address high electricity costs.

   We would like to point out that the Austrian Federal Economic Chamber (WKO) already called during the 2022/23 energy crisis for the introduction of a crisis mechanism at the European level that would temporarily decouple the electricity and gas markets during periods of price crises. (The Iberian model serves as a reference in this context.)

10. In times of low electricity supply, it is likely that balancing will continue to rely on gas-fired power plants operated with renewable gases. To support the implementation of electricity price caps, we therefore see a clear need to establish sufficient new H2-ready gas power plant capacities.

Beyond that, we emphasize our support for the analyses and recommendations of the Action Plan. In the national implementation of the proposed measures, it is essential to ensure that all available leeway is used to provide long-term planning certainty and genuine relief for end customers – without creating additional bureaucratic burdens.

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