EU targets 5% peak electricity demand cut to tackle soaring prices and energy crisis

European Union countries will be forced to cut electricity use by 5% during peak hours under proposals to stave off a looming winter energy crisis.

The draft EU plan seen by Politico and Reuters – which also includes windfall taxes on energy firms – is designed to temper soaring energy costs that are also stoking inflation, and ensure member states have enough fuel to see it through the colder months.

The 27-nation group has accused Moscow of weaponising gas by slashing supplies in response to sanctions the bloc – along with allies – imposed at the outbreak of the war in **Ukraine**.

"Never before has this Parliament debated the State of our Union with war raging on European soil," European Commission president Ursula von der Leyen said on Wednesday.

EU countries have already agreed to cut gas use by 15%, and gas storage is now 84% full, exceeding the EU's pre-winter filling target.

But analysts say Europe will still need to slash gas use over winter to avoid storage facilities running dry.

Among the package of measures to ease the impact of soaring inflation is a windfall levy to claw back what the European Commission described as "unexpected profits" from Europe's non-gas fuelled power plants, linked to soaring oil and gas prices stoked by Russia's slashing of supplies.

More on Energy

Global shift away from fossil fuels to renewable energy by 2050 would save £10trn, scientists say

Energy bills capped at £2,500 a year from October, Liz Truss announces

Experts warning to PM: Winter fuel crisis must be solved by renewables and green investment – not new gas fields

Related Topics:

- Energy

“These companies are making revenues they never accounted for, they never even dreamt of,” Ms von der Leyen told the European Parliament in Strasbourg.

It is “wrong to receive extraordinary record revenues and profits benefiting from war and on the back of our consumers,” she added.

“Profits must be shared and channelled to those who need it most.”

Read more:
Russia scraps plans to reopen major gas pipeline
Drought inflicting ‘severe impacts’ on EU energy production

Chatham House’s deputy environment director Antony Froggatt said the targets and taxes are “significant departures” from UK policy.

He said there was “little mention of the importance of demand side measures” in Prime Minister Liz Truss’s speech last week, which promised £100bn-plus emergency bailout for households to help with energy bills. Ms Truss opposes a fresh windfall tax on energy producers.

Brussels said its windfall tax plans would raise €140bn on energy companies’ profits to cushion the blow of record high energy prices this winter. The cash is likely to attract “significant support” for the policy from member states, Mr Froggatt told Sky News.

2:44

Russia shuts gas pipeline to Europe

Oil, gas, coal and refining firms would be required to make a "solidarity contribution" of 33% of their taxable surplus profits from fiscal year 2022, according to Reuters.

Wind and solar farms and nuclear plants would face a cap of 180 euros (£156) per megawatt hour (MWh) on the revenue they receive for generating electricity, with governments recouping any excess cash and recycling it to support consumers.

The draft could still change before publication as governments thrash out the details, possibly approving them at a meeting of energy ministers on 30 September.

Speaking at the end of the continent's hottest summer in history, Ms von der Leyen stressed how "the climate crisis is heavily weighing on our bills," with heatwaves boosting electricity demand and **shutting down hydro power and nuclear plants**.

Though she did not make any major climate policy announcements, the EC president did pledge €3 billion (£2.6 bn) for a new European Hydrogen Bank to help “[build] the future market for hydrogen”.

She called for better adaptation in the face of increasing droughts and fires, promising to double firefighting capacity over the next year.