

Energy transition now for our climate and for an end to dependence on fossil energy suppliers!

Resolution of the Annual Conference 2022

Based upon a motion of the NFI Board and the Thematic Group on EU Policy

A rapid switch to renewable energies is urgently needed to achieve the global climate goals and to enable an energy self-sufficient and independent Europe.



"Can we afford climate protection in the face of the ongoing energy crisis?" This question or something similar can be heard on many channels across Europe today. Prices for gas, electricity and fuel have risen sharply in recent months and are very likely to rise even further in the coming months.¹ This affects not only businesses, but above all private households, which are confronted with significantly higher gas, electricity, or heating bills. Many can no longer afford these exorbitantly higher energy prices and are threatened by energy poverty.

But it is precisely the ever-increasing costs of fossil energies that clearly show that we need to accelerate the switch to renewable energy sources to reduce our dependence on the monopoly suppliers of fossil fuels as quickly as possible. A process that of course must be in line with the EU nature conservation directives and the EU Biodiversity strategy.

A key element in this respect is the investment in powerful electricity storage systems to balance the weather-dependent production volumes of renewable energies. In parallel, appropriate measures are needed to protect low-income households from excessive energy costs.

Natural monopolies of gas and concentrated dependencies rise gas prices

The main reason for the rise in gas prices is no secret to anyone: during the war of aggression against Ukraine, Russia has also restricted the supply of gas to Europe. In this way, it wants to weaken or end Europe's economic and military support for Ukraine. Gas is a piped form of energy, which gives suppliers a so-called natural monopoly. Global demand for gas is constantly increasing, and suppliers set prices in this market. Any restriction of supply leads to immediate price increases – not because production costs rise, but because the monopoly suppliers demand higher prices to maximise their profits. This leads to the paradox that Russia earns more from its gas than before the war, despite restricted supply.

Normally, it is tried to regulate such monopolies – as is the case, for example, with the electricity grids, the telecommunications networks, or the rail infrastructure in Europe. This does not work with gas because the states that supply the gas are not interested in fair trade but use the profits to expand their wealth and global power position. The regulation requires the consent of those affected by the regulation – this is not enforceable on the international gas market. Interventions in gas stock exchanges on European territory also make little sense because the suppliers also work with direct contracts ("over the counter") and can thus override the exchanges.

The consumer countries, therefore, have no choice but firstly to diversify, i.e., to obtain gas not only from one supplier but from as many as possible, and secondly to save gas – through energy-saving

¹ In the energy market, contracts are mostly concluded for one year or longer. Higher prices therefore only become effective for consumers with a corresponding delay.

measures and by switching to renewable energy sources. This cannot be done overnight, but it must happen as quickly as possible, also because the phase-out of fossil energies must be pushed forward urgently in order to achieve the common climate goals. The Ukraine war and Russia's blackmail are accelerating this development because Europe now has no other way out.

However, what Europe must do in parallel, is to support low-income households that currently still have to heat with gas and to ensure that the basic need for gas remains affordable for them.

Increase of electricity prices due to a lack of storage possibilities

In principle, all European countries have been trying for years to switch to the generation of electricity from renewable sources, i.e., wind, sun, water, and geothermal energy.² However, this makes the electricity system increasingly dependent on the weather, and at times when wind, sun or even water are scarce, coal, gas, or nuclear power plants have to step in. A special feature of electricity systems is that at any given second exactly as much electricity must be fed into the grids as is simultaneously drawn from them. For this purpose, there are separate balancing power plants that have to increase or reduce their production on demand of the European grid operators.

Unfortunately, many European countries have relied on gas-fired power plants as back-up plants because they can quickly produce electricity when needed. As gas-fired power plants are increasingly switched on, higher gas prices are reflected in the electricity market.³ The so-called "bridge technology" of gas is now not only having a negative impact on the energy transition but is also burdening households with higher energy prices.

The right strategy would be to build more electricity storage facilities, such as hydrogen storage facilities, for times when there is a shortage of renewable production. In times of oversupply, electricity is used to generate hydrogen, which can be stored in caverns or tanks. This technology has the advantage of generating emission-free electricity from hydrogen, which can be used for many purposes. Since the technology is currently still expensive, there are only a few experimental plants. But with appropriate subsidies, as was the case with wind and photovoltaic plants, we would already have a respectable park of storage plants today that could replace gas in the system. Admittedly, instead of gas-fired power plants, storage power plants would then determine the price, but only if there is too little renewable energy.

Skimming off "windfall profits"

While many households are threatened due to their dependence on gas-fired power plants, the remaining electricity suppliers, who generate their electricity with renewable sources and can charge just as much for it as the gas-fired power plants, are making large excess profits, which are called "windfall profits" in the language of politics. It is not true that these excess profits are invested in more plants – as is often claimed. On the contrary, there has been a project backlog in renewables for a long time: there is a lack of experts, suitable lands, and the corresponding permits for new plants. It is therefore right to skim off these surpluses as long as expensive gas-fired power plants are

² NFI condemns the decision of including nuclear power as sustainable investment in the Complementary Delegated Act to the EU Taxonomy; see: <https://www.nf-int.org/en/presse/presseaussendungen/no-greenwashing-nuclear-power-and-fossil-gas-eu-taxonomy>

³ The fact that the highest price offered by a producer determines the electricity price is not a peculiarity of the electricity market, but general capitalist business practice: every producer always demands the price just below the most expensive competitor. One could, of course, limit the highest electricity price on the power trading exchanges - but here, too, producers can resort to bilateral trade, they do not have to offer on the exchange.

on the grid and to use them to relieve the burden on consumers and to build storage facilities so that the gas-fired power plants can be taken off the market as soon as possible.

The Annual Conference of Naturefriends International in Lozio (Italy) therefore calls on the European Union and its member states to implement a coordinated energy policy:

- **Energy-saving measures to reduce dependence on fossil fuels;**
- **Relieve low-income households and ensure basic energy security;**
- **Accelerate the energy transition to renewable energy sources (wind, sun, water, geothermal) in line with EU nature conservation legislation;**
- **Establish a coordinated storage strategy to reduce dependence on fossil reserve power plants;**
- **Support the goals of international climate policy and implement them in Europe – because only a shift towards a renewable energy future will lead to a social and ecological transition and reduce our dependence on international monopoly markets.**

Lozio, 15.10.2022