EUROPEAN
COMMISSION

Brussels, 20.7.2022
COM(2022) 360 final

ANNEX

ANNEX

to the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

"Save gas for a safe winter"

Guidelines on a European Gas Demand Reduction Plan

Guidelines on a European Gas Demand Reduction Plan

Introduction

This EU winter preparedness plan aims at further supporting Member States in the coming weeks and months, and at reinforcing the resilience of the internal market in case of a gas security of supply emergency. This plan complements previous efforts to increase the Union's preparedness, such as outreach to international partners to increase supply and other measures announced in REPowerEU. Demand reduction should be anticipated as far as possible and savings should focus on sectors and activities for which reduction is less costly. Everyone can save gas, even protected customers such as households, buildings operated by public and private entities, industries who have fuel switching potential and, depending on the national context, also the electricity sector.

The plan is based on the results of consultations of Member States and industries that rely on natural gas.

Chapter one identifies good practices for both market-based and non-market-based demand side measures that can be taken immediately in order to free up gas volumes. Chapter two provides guidelines on criteria to identify critical sectors of the economy and industrial installations. Chapter three summarises the three gradual stages of the EU response to a threat of a major gas supply disruption at European level, following the existing provisions of the Security of Supply Regulation, as well as the new measures set out in the proposed Regulation.

1. Voluntary savings measures and good practices

A wide range of measures is available to Member States to reduce gas demand in all sectors. Before implementing curtailment of non-protected customers such as industry, Member States should, together with stakeholders, exhaust all substitution possibilities, non-mandatory savings schemes and uses of existing alternative energy sources. These should be prioritized as long as they remain economically, socially and environmentally preferable to mandatory demand reduction alternatives. Priority should be given, where possible, to **switching fast and decisively to renewable sources or cleaner**, less carbon-intensive options. Activating both market-based and non-market-based measures to further reduce gas demand can be key to anticipate and mitigate the risks linked to possible gas shortages to society and to the economy.

a) Fuel switching measures

Fuel switching measures both in industry and in electricity production can be prioritised and accelerated by Member States to pre-emptively save gas and enhance preparedness, accompanied by energy efficiency measures. Several fuel switching measures options exist in Member States:

- Incentivising fuel switching capacities by industries and power and heat generation (market decision), including switching to solar, sustainably sourced biomass, biomethane from waste and residues, solar and other renewable energy sources.

- Using oxygen instead of natural gas in certain industrial installations, and replacing gas using steam drives with electrical drives.
- Increasing use of energy-bearing scrap and waste feedstocks in industry to reduce gas use.
- Applying more elaborate fuel switching measures of e.g. gas-fired power plants, switching to gas-oil, depending on the evolution of the availability of volumes in the gas markets.
- Obliging operators of thermal power generation with diesel back-up generators to take necessary precautions to have uninterrupted operation of their units if they have to switch to diesel.

Fuel switching is a priority option, although of course the costs, technical feasibility and availability of affordable alternative fuels may put some constraints and potential health and environmental impacts must be carefully assessed. Long term carbon lock-in should be avoided and fuel switching, other than to renewable fuels, must have the lowest possible emissions content and be time-limited to contribute to the availability of gas in the next winter period. Moreover, the scarcity of alternative fuels resulting from large scale fuel switching and effects on prices need to be monitored by Member States.

The criteria for identifying essential non-protected customers and supply chains in chapter 2 are key for helping Member States decide on support mechanisms, especially since market price mechanisms may be insufficient to solely guide such fuel switching. Therefore, State aid schemes enabling necessary, proportionate and appropriate support aimed at enhancing the economic viability of such operations in sectors considered as critical will be analysed by the Commission on a case-by-case basis. Moreover, the revised State Aid Temporary Crisis Framework enables incentives for fuel switching towards renewables as a matter of priorityand also supports fuel switching towards other energy sources in case of absolute necessity.

Fuel switching may increase emissions, which would be permitted in some instances under the Industrial Emissions Directive (IED). The exceptional and temporary nature of such derogation requires continuous monitoring and notification to the Commission.

Extending the use of existing coal-fired power plants, as well as temporarily suspending legal limitations on them to operate, has been implemented in a few Member States. However, these should be always considered as short-term temporary measures and reversible, as to not to create long term carbon lock-in, in line with the Just Transition objective of the European Green Deal, and it should comply with the EU's regulatory framework. Member States should notify to the Commission any relaxation of pollutant emission rules being considered as part of fuel switching plans. Such relaxation should be a last resort and be considered only after all other demand management measures and cleaner fuel switching possibilities have been exhausted. It should minimise the magnitude and duration of any increases of pollutant emission. The Commission will engage based of these criteria with all Member States making such notifications and monitor the implementation of national measures securing the return to full compliance with EU pollutant emission rules.

Some Member States have postponed the shutdown of nuclear power plants.

The decision as regards possible postponement of the phasing out of nuclear plants where technically feasible is a policy choice for Member States.. In any event, the safety standards

of the Euratom treaty as well as the applicable EU's regulatory framework apply and prevail.

Finally in the power sector the actions to reduce gas consumption should be properly assessed in the national risk preparedness plans to be established under the Regulation on risk preparedness for electricity.

Fuel switch

- ***Promote fuel switching in industries***
- ***Promote fuel switch in power and heat sectors whenever possible, prioritising fuel switching to renewable and cleaner fuels***
- ***Just Transition objectives to remain in place***
- ***Integrate the risk of gas shortage in the national electricity risk preparedness plans***

b) Market-based instruments

Auctioning or tendering systems

One recommended measure consists of national or joint auctions or tender systems by which Member States incentivise a reduction of consumption by large consumers (mostly industries). Those industries best placed to reduce demand would voluntarily offer to do so. Depending on design, they could receive financial compensation in return for additional savings. Industrial consumers can themselves define when it is sensible for them to switch off or temporarily reduce demand, based on their own individual characteristics and taking into account the impact on employment. Such a system could also encourage gas savings by firms who plan to shut down for maintenance or modernisation purposes.

Where such measure involves State aid, and as clarified in the amendment of the State aid Temporary Crisis Framework, Member States may incentivise voluntary reductions in gas demand in the context of the current crisis, which the Commission will then assess directly under Article 107(3)(b) TFEU[1].

The idea of EU auctions or tenders could be also be explored between the Commission and Member States. Large cross-border customers with production processes in multiple Member States would benefit from such a procedure. Demand is reduced where it is overall least costly to do so (not just least costly within a given Member State), including in terms of potential adverse economic impacts and job losses.

Swap contracts between large customers

Another possibility for industrial customers is to agree in advance contractual swaps of their production from a region exposed to disruptions to a region less exposed in case of large shortage. In an "alert" or "EU emergency" crisis level, the producer located in the region less affected by gas shortage would guarantee the supply of the production for the

[1] The following elements are relevant elements for an assessment by the Commission: (1) the use of a competitive and transparent process, (2) absence of cross-border restrictions, (3) limitation of compensation for future demand reductions and (4) a reduction in aggregate gas consumption resulting in increased availability for gas in storages and avoidance of demand shifting from participants to non-participants

producer that had to be halted due to shortage of gas in the region affected. In turn, such a swap would protect the site and the region affected from unplanned forced curtailment.

Such cooperation between undertakings would, in principle, not be considered problematic under the EU competition rules to the extent that it is (i) designed and objectively necessary to address the shortage of gas linked to a declared "alert" or "emergency situation" on one or more European gas markets, (ii) temporary in nature (i.e. only applied as long as the alert or emergency situation persists) and (iii) not exceeding what is strictly necessary to achieve the objective of addressing the shortage of gas linked to a declared "alert" or emergency situation on one or more European gas markets.[2]

Interruptible contracts

The use of interruptible contracts for gas consumption, as a voluntary market-based measure, is encouraged wherever possible as it represents an important source of flexibility. Such measures are in place at the "early warning" or "alert" level (i.e. pre-emergency crisis levels) in several Member States. The activation of the interruption comes with a pre-determined financial compensation, corresponding to a pre-determined level of volume reduction or period of disconnection. Although in principle the compensation and volumes are not tailored for a prolonged and complete disruption from Russian gas supply, EU-wide short-term gas demand reductions, triggered by interruptible contracts, can have a significant cumulative impact to free up gas, e.g. for refilling storages. Member States should encourage the increased use of these types of contracts as soon as possible to increase savings already this winter.

Demand-side flexibility in electricity

More generally, demand response in the electricity market can help reducing the gas consumption. This can be automated through smart demand-side flexibility technologies and services that lower demand in a time-dependent way when electricity is produced by gas, at peak times. It is a dynamic saving of fossil fuel energy that should complement more static savings resulting from energy efficiency measures or for instance long term auction as described above. Such demand response could target consumption of electricity by industries, residential, office and commercial buildings, and transport sectors. To unleash the potential of demand response already for next winter, Member States should open all markets to flexible demand-side resources to enable their participation. Based on industry estimates[3], if fully exploited and activated across all markets, flexible capacity in the electricity system could reduce EU imports of Russian gas by 5%.

Market-based instruments to reduce demand and prepare for shortage:

- ***Auctioning or tender systems***
- ***Interruptible contracts***
- ***Swap contracts between industrial consumers***
- ***Demand-side flexibility in electricity***

[2] The Commission services stand ready to provide informal guidance to companies considering such cooperation to the extent that they are uncertain about the compliance of certain elements of their planned cooperation with the EU competition rules.

[3] SmartEN

c) Savings in heating and cooling

Awareness raising campaigns

Everyone can save gas, even protected customers. Information campaigns to make consumers aware that where possible, they should start saving gas, together with electricity which often relies on gas, can lead to a considerable reduction in gas consumption. This measure is set out in many Member States' gas security of supply Emergency Plans in the early warning stage. The idea is to raise awareness among all consumers, industries, businesses, public authorities, and households alike, but also to give concrete and operational examples of how gas consumption can be reduced through e.g. behavioural changes. Moreover, the implementation of campaign measures encouraging citizens to reduce their gas consumption, for example by decreasing the thermostat or water temperature during the heating season is advised, as it could bring significant gas savings. The Commission urges all Member States that have not yet done so to implement such "no-regret" measures, while supporting the most vulnerable and energy poor households who in some countries have already been limiting their energy consumption below comfort levels.

As part of REPowerEU, the Commission has put forward the EU 'Save Energy Plan'[4] which also sets out a wide range of short-term measures that Member States can take to incentivise actions that will also bring immediate gas savings (such as turning down heating, servicing and reducing temperature of boilers). The Commission also continues to work with local actors in spreading these messages, for example with the 'Energy Savings Sprint' campaign together with the Covenant of Mayors. These measures can also be implemented by cities, including via the 100 Climate Neutral Cities Mission.

It is imperative that all Member States start the implementation of such measures immediately, even those who have not declared an early warning yet. In fact, many Member States have reported that they were rolling out awareness raising measures but also subsidy schemes for households and enterprises with a focus on building renovation, heat pump deployment and other fuel switching as well as and the replacement of existing appliances and equipment with more efficient ones.

Preferably, Member States would increasingly shift their compensation policies to income measures in some form of monetary compensation for energy consumers. Through means-testing, they should be targeted to vulnerable groups.

Targeted obligation to reduce heating and cooling

During an "alert" level, measures taken in national plans could include a mandatory national reduction of consumption in the heating and cooling sector. Such measures when targeted would not put at stake the principle that households, district heating and certain essential services are protected customers and that their supply is guaranteed. Higher prices are likely to have already partly induced consumers to reduce their gas use, but obligations may be needed when prices alone are not enough to reduce heating and cooling. It will be important to ensure a fairly distributed service and access to essential services to all the customers, particularly for vulnerable customers connected to energy supply networks. An effective and enforceable way is to mandate targeted reduction of heating and cooling of temperature and water, in buildings owned or operated by public authorities or on their behalf, in shopping centres, office buildings and in public spaces. Successful past

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0240&from=EN

experiences with bonus-malus tarification systems to spur savings could also be considered and adapted to specific Member States circumstances[5].

Reduce heating and cooling

- ***National public awareness raising campaigns***
- ***Mandatory reduction in buildings operated on behalf of public authorities***
- ***Bonus malus tarification schemes***
- ***Reduction of consumption in commercial centres, offices and public spaces,***
- ***Public authorities to set new temperature and/or hourly thresholds for heating and/or district heating in the household sector using gas***

2. Criteria to prioritise critical non-protected customers

The underlying principle of the Gas Security of Supply Regulation is to protect specific consumer groups that do not have the means to ensure their own supply in case of a supply crunch and have no viable alternatives to deal with such situation (protected customers). These can be households, district heating to households (only those with no fuel switch possibility), as well as optionally and under certain conditions, essential social services and SMEs. The Regulation also allows Member States to prioritise certain critical gas-fired power plants, over certain groups of protected customers.

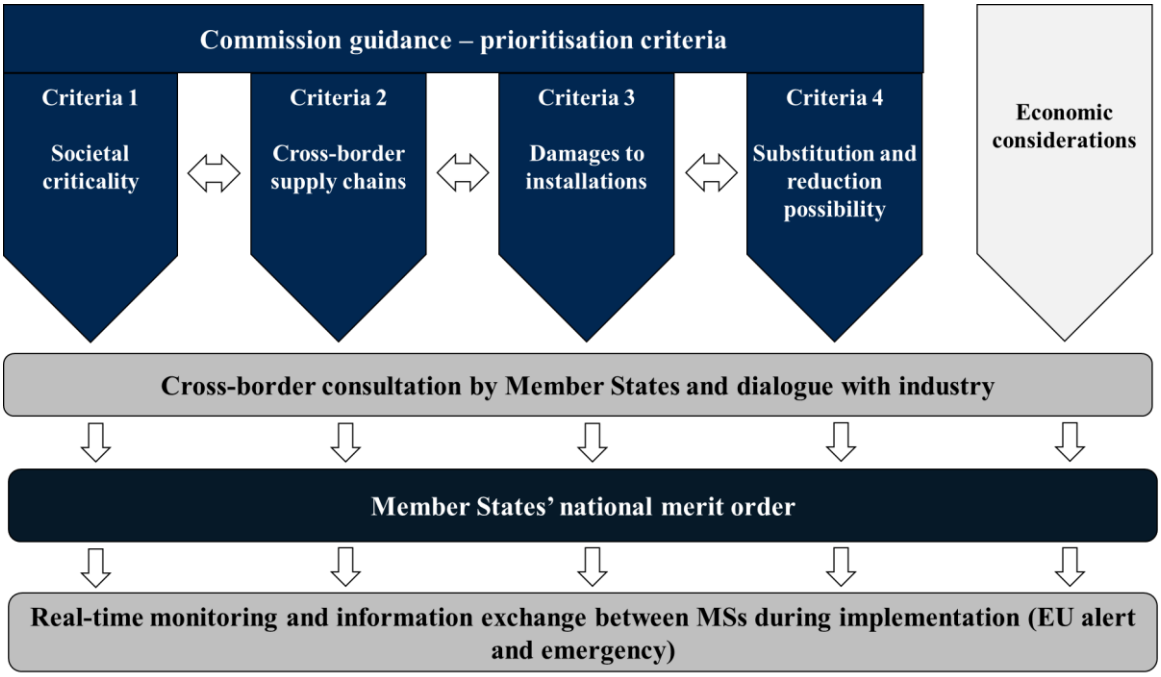
This Plan provides guideline to Member States on how to effectively complement the Gas Security of Supply Regulation provisions for the non-protected consumer groups in a coordinated manner and based on common criteria **and principles, in order to maintain the integrity of the internal market and reinforce its resilience**. It should help Member States identify and prioritise, within their "non-protected" consumer groups, the most critical customers or installations, mainly among industry, so these groups would be curtailed last before protected customers. This prioritisation should take into account their criticality for the EU as a whole, as well as the critical supply chain links with its international trading partners. It should also consider their economic importance and value added for employment. Where financial compensations are foreseen, state aid control contributes to ensuring that these measures are compatible with the internal market.

The Commission advises that Member States build on the following guidelines when updating their prioritisation orders and related measures in their national gas security of supply emergency plans by the end of September 2022.

a) Criteria for demand reduction in pre-emergency or emergency

The following criteria (in combination) for the prioritisation amongst non-protected customers in case of severe disruptions should be considered:

[5] Analysis of behaviour change due to electricity crisis: Japanese household electricity consumer behaviour since the earthquake; Murakoshi et al, 2013. Can Rationing Affect Long Run Behavior? Evidence from Brazil; Costa, 2012. See also Policies for energy conservation and sufficiency: Review of existing policies and recommendations for new and effective policies in OECD countries: Bertoldi, 2022 (https://doi.org/10.1016/j.enbuild.2022.112075).



In addition to these four criteria, economic considerations should be also taken into account by Member States as an extra consideration in the balancing test.

Societal criticality

Industries considered critical or strategic from a societal perspective are advised to be prioritised, if a disruption would have negative effects on supply chains impacting health, safety and environment, security, defence and other critical sectors, such as food and refineries. For example, human health and the environment can be impacted by failure of treatment of waste and water, as well as safety protection of e.g. chemical plants. The identification of specific products, installations and value chain elements that have an impact on critical social services, need careful consideration.

While each Member State may want to define what social criticality means in their respective national context, the Commission recommends to at least include a non-exhaustive analysis of the impact on health, food, safety and environment, security, and defence in their national prioritisation.

Examples of societally critical sectors and activities

- ***Health and pharmaceutical***
- ***Food***
- ***Safety and environment***
- ***Security, defence and refineries***

Cross-border value chain criticality

The Commission recommends to Member States to always consider the impact that economic activity reduction in one sector has on the whole EU or global value chain. How such considerations can be coordinated, is discussed in the last section of this chapter.

While drawing their gas security of supply emergency plans, Member States focus primarily on the national impact of possible gas disruptions. However, given the degree of industrial integration and interconnection across the Single Market, disruptions for specific (upstream) sectors that may not be considered as critical in one Member State may heavily impact (downstream) critical sectors in other Member States. Furthermore, the value chains of most industries contain parts that are Europeanised or internationalised and which are important for employment and for delivering critical societal services and goods.

For instance, the medical equipment and pharmaceutics industry, parts of chemical industry (e.g. feeding into food and health systems) or parts of the textiles industries (feeding into healthcare and defence products), are part of value chains critical for essential or strategic sectors.

One approach that can be taken to look at cross-border effects is to focus on the product level, rather than on a sector level, thereby identifying essential products instead of sectors. Some examples include most of the glass production used directly by the food and pharmaceutical industry (food containers, vials and syringes) as well as in both renewable energy production and clean tech manufacturing (photovoltaics, wind energy) and energy savings applications. This would require extensive mapping of value chains related to these essential products. For example, basic chemicals might at first glance seem not the most socially critical sector. Yet, its products are used widely throughout different other sectors, meaning that its (cross-border) value chain impacts are likely significant. Another example are fertilizers, a sector extremely gas reliant and supplies the socially critical agricultural sector across the whole EU, but has a geographically concentrated production. Therefore satisfying only local needs is not sufficient from an EU perspective.

Another factor to take into account is the number of companies active in a critical value chain across the EU or globally, and hence the possibilities for or the lack of other companies to step in. If demand reduction of a facility means that an essential product cannot be produced throughout the EU or more widely, this should be taken into account. A mechanism to help Member States identify the impact of their sectors across borders is proposed in the following subchapter.

Moreover, Member States would need to investigate the value chain, and the extent to which a gas interruption in a particular sector may have more disruptions in some value chains compared to others.

Cross-border value chain aspects to consider

- ***Downstream effects of upstream gas reduction and value chain integration***
- ***Market weight of the company***
- ***Production-based approach to identify essential products within sectors***
- ***Cross-border consultation***

Potential damage to installations

Member States should consider the lasting impact a disconnection might have for example in terms of potential damage to industrial tools and the time potentially needed and the costs incurred to repair machinery.

Particular attention should be paid to the sectors that need to run continuously and where abrupt cut-off of the supply of gas could lead to damage to the installations (e.g. gas production, biological medicine and other parts of the medical industry, some parts of mechanical engineering, textiles industry and particularly its finishing subsector, pharmaceutics, most chemical processes, fertilizers, glass, steel, aluminium, refineries, lime, ceramics sectors, residual gas use in electro-intensive sectors such as aluminium), which in turn could entail long-term negative impacts on production and employment. Several industries spanning both energy intensive and non-energy intensive sectors need a minimum amount of gas for production continuity, since if the production is stopped, it cannot be easily restarted without significant delays, regulatory approval and costs. The Commission recommends Member States determine the minimum level of gas consumption as critical and prioritized accordingly, depending as well on how these industries fare in relation to the other criteria.

Potential damage to installations

- ***Consider lasting impact of disconnection or reduced gas supply on industrial tools***
- ***Particular attention should be paid to sectors running continuous processes***

Substitution and reduction potential

Several Member States approach prioritisation through the identification of socially critical products, industries or companies while assessing the technical and economic possibilities of those industries or companies to postpone or reschedule production. Such assessment can be performed for sectors identified as critical for society but also for those that do not fall under that category, thereby allowing further prioritisation of industry not identified as critical from that perspective.

Under this criterion, a differentiation can be made between industries that can postpone production or can switch off e.g. during peak hours, and those that need a continued flow of natural gas for their operations. The possibility may also exist to focus on certain sectors where production can relocate within the EU to regions where gas is available (see swap contracts in the previous chapter), while taking into account the need to ensure fair transitions at regional level.

The integration of European industry in global value chains can also offer substitution options and ease pressure in case of gas disruptions. However, in some cases, importing certain products and services temporarily (instead of producing them in Europe to avoid gas consumption) is not an option, as the steps with the greatest gas input needs can also be those that add most value to the final products. In addition, in some industries (e,g. pharmaceuticals), the substitution of inputs for imports is subject to regulatory approvals and difficult to achieve in the short term. International spill-over effects of worldwide sanctions on Russia on global supply chains, coupled with existing international supply bottlenecks, could further constrain alternative import options, increase the upward pressure on prices, or induce long delivery delays.

Fuel substitution and output reduction possibilities

- ***Postponing or rescheduling production***
- ***Swap of production within the EU to where gas is more available***
- ***Substitution options in the global value chains***

Economic aspects

The analysis of Member State-level data underlines the differences in national industrial ecosystems. In particular, the domestic share of embodied natural gas consumption in final output shows the varying importance of certain national industries.

Following the tests for social criticality, cross-border value chain impacts and technical limitations, risk of damage or substitution possibilities, the **economic importance** of the different sectors could be taken into account in view of prioritising the remaining industries. Possible indicators to take into account include value added (both absolute and relative to gas use) and employment related to a level of natural gas use and the importance of a specific sector in the value chain. But of course certain sectors with low value-added relative to gas use may also provide essential inputs to other downstream sectors.

Therefore, an important aspect to consider is the integration of a given industry via cluster sites because these are deeply connected to multiple production processes through heat and intermediates.

Industries have different degrees of flexibility to switch to other fuels. For example, the majority of cement plants use coal or waste, and only a small number use gas. This means that when the cement sector suppresses all its gas use, most of the cement sector remain unaffected. By combining the considerations on gas intensity with considerations of flexibility, one can determine the least costly sectors to curtail in each Member State (before upstream-downstream value chain effects and strategic sector considerations).

Commission analysis - gas intensity versus economic role

Analysis conducted by the Commission showed that:

- Half of the total industrial gas use corresponds to 10% of industrial added value.
- The least gas-intensive sectors employ half of manufacturing workforce while consuming about 10% of total industrial gas use.
- But these figures hide essential aspects. In fact, taking into account the natural gas inputs embodied in products sold for final consumption throughout the supply chain provides a much better picture. This method allows tracing primary inputs of gas into the sector where it is directly used (e.g. gas used to fire a melting tank for glass making) through the supply chain (e.g. window manufacturing), down to attributing those energy inputs to the purchase of goods for final output (e.g. a new housing unit built by the construction sector).
- For instance, the analysis shows that the chemical industry (and to a lesser extent iron and steel, non-metallic mineral products and mining and quarrying) provides inputs to all sectors, and the iron and steel sector is responsible for approximately 25% of total gas use in the manufacturing of machinery equipment, and that more than 40% of the total gas use embodied in pharmaceutical products comes from chemical feedstock. The chemical industry represents on average 27% of total gas use embodied in other sectors, non-metallic mineral products and iron and steel represent each 11%, mining and quarrying 6%. Some sectors are less connected to sectors downstream, e.g. transport equipment, machinery equipment, crop and animal production, construction, or food beverages and tobacco.

b) Cross-border cooperation to use the criteria

Given the large degree of cross border integration of value chains in Europe's Single Market and the need to protect the economy and competitiveness particularly in case of wide spread gas disruption, cross-border cooperation is essential for Member States to design optimal prioritisation criteria so as to reduce knock-on effects across borders and throughout the EU internal market. This cooperation can take place in a structured manner for Member States when drawing up or updating their priority order in their gas security of supply emergency plans. Governance mechanisms for this consultation and coordination, on top of bilateral contacts and existing regional fora, could be centred on the Gas Coordination Group, extended to representatives from ministries of Industry if necessary. The Commission may also consult existing fora, such as the High-Level Working Group on Competitiveness and Growth of the Council or the EU Industrial Forum managed by the Commission.

Each Member State should first do an independent analysis of the national industrial landscape and its criticality –directly involving the industrial stakeholders and social partners – and then, based on this, use the above mentioned structures to identify the potential critical connections to the other Member States, where the flows of supply are located.

Within this context, after the identification of the priority sectors resulting from the application of the societal criticality criterion mentioned above and with a view to maintaining the continuity of economic activity as smooth as possible, Member States could jointly proceed with the mapping of the cross-border value chains and verify the risk of concrete supply disruptions. The detection of cross-border sensitiveness is hence the base for the further refinement of the Member States' priority list. This may be a major endeavour, in particular for bigger Member States with complex gas consuming ecosystems and significant participation in international value chains. The Commission stands ready to support this exercise.

3. Governance and the stages of the crisis response

The stages mapped below show how EU level coordination of demand response is operationalised by the existing provisions of the Gas Security of Supply Regulation, and the new measures of this Plan.

Stage 1: Save gas for a safe winter – pre- EU alert

When: Adoption of the Regulation on coordinated demand reduction measures for gas **proposed in 'Save gas for a safe winter'**

Trigger: Adoption of the Regulation on coordinated demand reduction measures for gas accompanying the Communication 'save gas for a safe winter' and this European Demand Reduction Plan.

At EU Level:

- Best efforts to reduce gas demand of 15% in all Member States.
- Reinforce monitoring and mutual exchange of information particularly to protect the Single Market.
- Strengthened governance and coordination mechanisms.
- Explore possibility of joint/regional auctions

At Member State level:

- Acceleration of implementing measures providing alternatives to natural gas in all sectors, in particular towards clean energy sources.
- Voluntary auctions or tenders calling for offers to reduce consumption.
- Promote and if relevant activate interruptible contracts.
- Implement fuel switching measures for industry and electricity.
- Update of the national gas security of supply emergency plans and communicate them to the Gas Coordination Group
- Obligation for public buildings to limit heating and cooling temperatures unless technically not feasible.
- Activation of other demand side measures provided in the alert level in national gas security of supply emergency plans.
- Measures to reduce gas consumption by non-critical gas fire power plants.

Economic impact: no-regret options to be exploited, impact on public finances when compensation through auctioning of demand reduction needs to be granted, as well as for vulnerable households when needed. Need for State intervention.

Role of the Gas Coordination Group: reinforced monitoring, extended to industrial considerations, including of demand reduction, promote exchange of good practices setting the details of the measures

Stage 2: EU Alert

When: Declaration of EU alert

Trigger: as per Article 4 of the proposed Regulation on coordinated demand reduction measures for gas, where a substantial risk of severe gas shortage results in the significant deterioration of gas supply in the Union

Instruments:

At EU Level:

- Mandatory reduction of 15% of demand
- Reinforce monitoring and mutual exchange of information, notably to protect the Single Market.
- Increase of the daily monitoring and information from Member States to Commission.

At Member State level:

- Voluntary auctions or tenders calling for offers to reduce consumption.
- Update of the national gas security of supply emergency plans.
- Promote and if necessary activate interruptible contracts.
- Implement fuel switching for industry and electricity.
- Obligation for public buildings to limit heating and cooling temperatures unless technically not feasible.
- Activation of other demand side measures provided in the alert level in national gas security of supply emergency plans.

- Measures to reduce gas consumption by non-critical gas fire power plants.
- Monitoring the impact of demand reduction on critical sectors across the EU, exchange of information between Member States.

Economic impact: support investments in alternatives to Russian gas, mitigate possible negative impacts in case of disruptions (including on employment and distributional impacts), likely need for state aid and EU to intervene by primarily but not exclusively market instruments.

Role of the Commission: Monitoring via the Gas Coordination Group, extended to industrial experts as appropriate of the necessary demand reductions for all Member States and per sector. Ensure solidarity approach and coordinate efforts as necessary.

Role of the Gas Coordination Group: Gas Coordination Group serves as a forum of information exchange on limitation, measures available and impact of demand reduction on critical sectors, including industry, across borders to facilitate higher-level decision-making on demand reduction.

Stage 3: EU coordination of emergency measures during Union/Regional emergency

When: At the request of one or more Member States that declared national emergencies (Article 12 of Gas Security of Supply Regulation) when market instruments are no longer able to safeguard supply.

Triggers:

- Tied to a regional or Union emergency under the Security of Supply Regulation
- The Commission may declare a Union Emergency or a Regional Emergency for a specifically affected geographical region upon the request of a Member State.
- Where the request comes from at least two Competent Authorities that have declared an alert at national level, the Commission has to declare a Union or regional emergency if appropriate.

Instruments and role of the Commission:

As per Article 12 of the Gas Security of Supply Regulation, the Commission shall:

- ensure the exchange of information,
- ensure the consistency and effectiveness of action at Member State and regional levels in relation to the Union level,
- coordinate the actions regarding third countries,
- if necessary, convene a crisis management group composed of crisis managers appointed by the Member States concerned,
- The national gas security of supply emergency plans specify in more details the measures planned by the Member State for each crisis level, such as releasing gas from strategic storage.