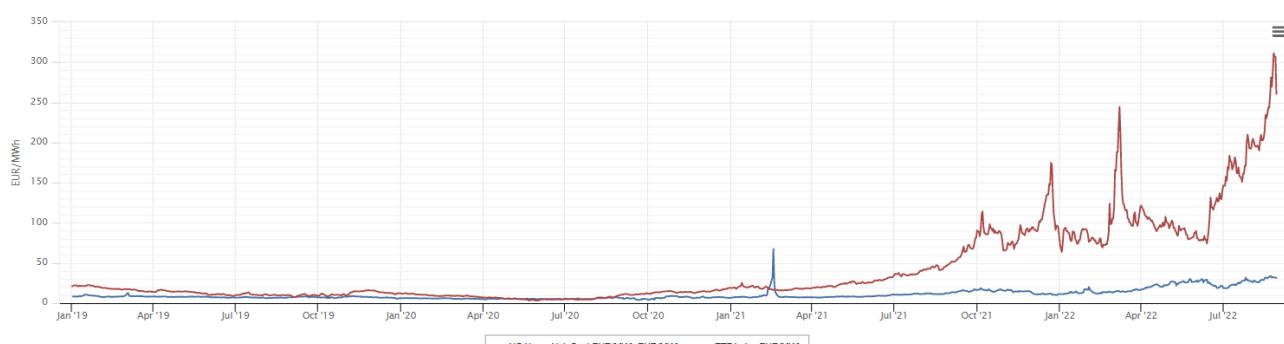


ENERGY PRICES IN EUROPE – A TICKING TIME BOMB EXCEPTIONAL CIRCUMSTANCES REQUIRE URGENCY MEASURES

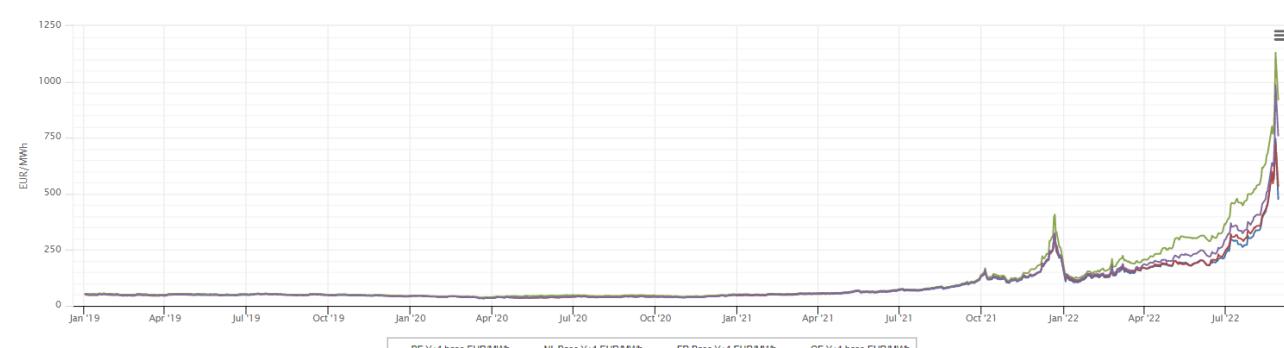
Brussels, 31st of August 2022 – The derailed energy prices force our companies to face unseen challenges. The galloping costs of natural gas and electricity, but also of raw materials, intermediate products and services and wages can no longer be passed through to customers, and more and more companies are obliged to severely phase down or completely stop their activities. In these exceptional circumstances Fbelieic asks for a number of urgent measures in order to avoid our economy to suffer from structural and possibly irreversible damage.

In the wake of the Russian invasion in Ukraine, the European energy prices have reached unforeseen highs. The severe fallback of the Russian gas export and the increasing uncertainty regarding security of supply for the coming winters has driven natural gas price in Europe to 300€/MWh and higher, more than 10 times the average price of the last few years.



Source: Energy Market Price

As gas plants in Western Europe usually deliver the marginal unit for electricity production, electricity prices too have increased to historical highs in large parts of Europe.



Source: Energy Market Price

The energy prices weigh heavily on households' budget and companies' competitiveness. The situation is more than worrying, and more and more companies are obliged to phase down their activities or even to completely halt production lines. It is indeed more and more difficult to pass on the exploding cost increases (energy, raw materials, services, wage costs) to sales prices. Large parts in the world (North and South America, Australia, Middle East) have indeed not been confronted with a cost increase, or only in a limited way, which gradually leads to an insurmountable cost handicap for European industry. Moreover, it seems more and more probable that European energy costs will remain high for years to come, as it will require a lot of time to find alternatives to Russian natural gas. The economic

Febelieic represents industrial energy consumers in Belgium. It strives for competitive prices for electricity and natural gas for industrial activities in Belgium, and for an increased security of energy supply. Febelieic has as members 5 business associations (Chemistry and life sciences, Glass, pulp & paper and cardboard, Mining, Textiles and wood processing, Brick) and 39 companies (Air Liquide, Air Products, Aperam, ArcelorMittal, Arlanxeo Belgium, Aurubis Belgium, BASF Antwerpen, Bayer Agriculture, Borealis, Brussels Airport Company, Covestro, Dow Belgium, Evonik Antwerpen, Glaxosmithkline Biologicals, Google, Ineos, Infrabel, Inovyn Belgium, Janssen Pharmaceutica, Kaneka Belgium, Kronos, Lanxess, Nippon Gases Belgium, Nippon Shokubai Europe, NLMK Belgium, Nyrstar Belgium, Oleon, Pfizer, Proxioms, Solvay, Tessenderlo Group, Thy-Marcinelle, Total Petrochemicals & Refining, UCB Pharma, Umicore, Unilin, Vynova and Yara). Together they represent over 80% of industrial electricity and natural gas consumption in Belgium and some 230.000 industrial jobs.

damage could thus become structural, and most of the vulnerable sectors will have to (at least temporarily) stop producing. This could severely disturb the logistic chains in almost all industrial sectors for a long period.

Exceptional circumstances require exceptional measures. Febeliec thus asks the European and Belgian authorities to take drastic measures to safeguard our economy from a catastrophe:

1. Negotiate competitive gas prices

Gas producers book excessive war benefits which might enrich them in the short term, but will put their customers in a social and economic difficulty in the medium term. A structural solution can only come from lower, fair gas prices for European customers. Our authorities must therefore do everything they can to negotiate fair (maximum) prices with our suppliers.

2. Functioning of the electricity market

During the last decades, the liberalization of the electricity market benefited the European consumer. However, given the way the market functions ("marginal pricing"), excessively high gas prices translate into excessively high electricity prices. Lower gas prices will lead to lower electricity prices, but market functioning must be revised and where needed, modified, in order to guarantee both a correct price and a fair compensation for the supplier of generation capacity and power. The initiatives of other European member states (eg. Spain/Portugal) could serve as a source of inspiration.

3. Emission trading system

The last 2 years, the price of CO₂ rights has quadrupled to almost 100€/ton. This cost drives up power prices: today, the electricity price (for all producers) includes a CO₂ cost of about 40€/MWh when a gas plant delivers the marginal unit, and even of 80€/MWh when it is a coal-fired plant. The European authorities thus have to release extra rights from reserves ("Market Stability Reserve") to push down the CO₂ price and thus the electricity price. Moreover, more sectors must receive access to a fair compensation for indirect emissions in order to safeguard competitiveness of our industry, and regions should fully use the opportunities offered by European legislation.

4. Taxes and grid tariffs

When possible, taxes on electricity and natural gas must be reduced, and transmission grid tariffs must be made competitive with those in our neighbouring countries.

5. Temporary crisis measures

The European Commission gives member states the opportunity to apply temporary aid measures for companies suffering from the Russian invasion in Ukraine. Our country must, in the same way as other European countries, urgently put in place such measures.

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