

## Euroconsumers in the Energy Crisis

# How to protect consumers from skyrocketing energy prices ?

A discussion paper

### The energy market under pressure

The much anticipated and welcome post-COVID economic recovery has come at a serious cost for consumers. Energy prices have been under pressure since 2021, with strong increases beginning in June and finally leading to the soaring prices of this autumn. Worldwide economic growth has sent the demand for energy skyrocketing, leaving the supplies of natural gas stretched thin. Price increases in the European Union's Emission Trading System, geopolitical factors, unexpected temperature fluctuations, a lack of wind in regions that rely heavily on wind power production, and the design of the EU's electricity market are also responsible.

### Consumers' wallets and patience stretched thin

Energy bills were already a costly affair for consumers. In many countries, including Italy, Spain, Portugal and Belgium, energy invoices routinely double as tax sheets. A growing amount of external costs, with no direct link to the actual energy consumption, are now passed onto consumers via their energy bills. The situation in certain countries has reached the point where over half of the amount of the bill is not linked to the actual production costs of the energy. Instead, distribution costs, as well as a variety of explicit and hidden taxes are also increasing the pressures on consumer's wallets.

All of the above is now combining to push up already high energy bills to unseen levels. This is making the headlines throughout Europe, worrying consumers of all backgrounds, and prompting politicians to scramble into action. The European Commission has proposed a new toolbox of measures, while national governments contemplate their options and bicker over which actions to take.

### Euroconsumers at the forefront

In the meantime, energy bills keep coming in, putting pressure on many households. In order to provide immediate help, Euroconsumers and its member organisations Deco Proteste (PT), OCU (ES), Altroconsumo (IT) and Test-Aankoop/Test-Achats (BE), are pulling out all the stops to help people mitigate the damage and offer solutions.

As always, the phone lines of all the organisations are open to help consumers with questions concerning their energy bills. Because of the enormous volume of calls coming in, Test-Achats/Test-Aankoop has even [opened an additional phone service](#) that is exclusively dedicated to the issue. Moreover, new sections on the websites are being published regularly with helpful information about

which energy provider to choose, as well as service comparison tools, concrete ways to lower energy bills, infographics, and even factsheets to explain why the prices are behaving as they are.

Besides helping consumers directly, our organisations are also doubling down on their campaign and lobby efforts. In Italy, a [major petition has been launched](#) to ask for a reduction of energy costs. The Spanish organisation OCU has launched a [major engagement campaign](#) surrounding high energy prices. In Portugal, DECO Proteste is [asking for seven concrete measures to lower electricity costs](#). In all countries, we are in contact with key national policymakers and institutions to represent the consumer perspective and ask for the initiatives which we believe will lower energy bills.

## Energy bills as tax sheets

As specific energy situations differ from country to country, so too will the solutions be often different between the countries. Nevertheless, a common trend detected in all Euroconsumers countries is the problem of too many additional charges being added to the energy bills. Instead of focusing on the actual consumption of electricity from producer to consumers, energy bills consist for the most part of distribution network tariffs, transmission tariffs, taxes, levies and on top of that VAT. Although the exact amount and proportion of these non-related costs differ from country to country, we observe the same basic problem everywhere: energy bills have turned into tax sheets. Too often, these additional costs are opaque, not indicating to consumers why these extra charges are being added or what exactly they are used for, i.e. financing renewables. All the above makes the energy bills unaffordable, untransparent and unfair.

This is why Euroconsumers and its member organisations have been raising this problem and pushing for a systematic revision of what an energy bill ought to be. Do taxes, levies and tariffs and the financing of government subsidy mechanisms have a place in a bill that does not distinguish between persons with a high or low income? We don't think so. Besides disproportionately placing tax burdens on low and modest incomes, this structuring of energy bills also impedes effective competition within the market. Moreover, the amount of VAT is still too high in many places, creating the impression that household energy is a luxury and not a basic, vital necessity. Finally, in times of extreme stress on the markets, social measures for low- and medium-income households should be guaranteed. In a nutshell, Euroconsumers thinks that energy bills need to be fair, and that taxes need to be where they ought to be: in our regular tax sheets.

## The impact of marginal pricing?

Another issue that is raising some questions is the practice of marginal pricing. In the current European energy markets, the price of electricity is set through the marginal pricing or 'pay-as-clear' system. In a nutshell, this means that the electricity markets fix the cost of electricity every day by matching the estimated demand and supply from various producers. Once the demand has been decided, each producer indicates how much electricity it will provide and at which price. Then, all the cheapest offers become part of that day's electricity mix, up to what is required. Remarkably, all producers will be paid for their electricity at the maximum price entered in that daily package. [According to the European Commission](#) this is still the cheapest and most efficient model to keep costs low. It also provides incentives for consumers to generate their own electricity and for producers to invest in renewables.

While there is certainly truth to this argument, we also see it can sometimes lead to exorbitant prices that bear little relation to the true cost of a country's energy mix<sup>1</sup>, leaving ample room to explore improvements to market mechanisms in all our countries. For instance, what about contracts called PPAs (Power Purchase Agreements) that make it possible for companies and electricity traders to buy the plant production for many years in advance, at fixed costs, and therefore shielded from extreme market fluctuations? Or what about auctions? There, a public authority sets an auction base for the purchase of electricity produced by renewables. The producer that offers electricity at the lowest price, will sell it at that price to the public authority, which in turn sells it directly to traders. Many other options and ideas have been raised to improve the energy markets. They all merit to be investigated and explored, keeping in mind the need to further development of renewables and to keep energy prices affordable for everyone.

## Energy and the Green Transition

There is no doubt about it: the best way out is a green transition. Decarbonising European energy systems is a complex, long, and challenging process. Ambitious climate objectives have been set for 2030 and 2050 and will continue to require heavy investments in renewable sources of energy. These developments will power the Green Transition towards a fully carbon-free and sustainable energy market, that will be more affordable, more resistant to crisis, and better for the planet. It is a cause to which all our organisations adhere.

It is also an objective that will require all consumers to be fully onboard. The current system in which industry subsidies and green energy investment programs are disproportionately financed through consumer energy bills, is standing in the way of that. Moreover, consumers still need the right price signals in all areas, as the sustainable choice often is not the affordable or convenient one. More incentives should be put in place to encourage consumers to produce and consume renewable energy. Additionally, sustainable housing must remain a priority on political agendas, because the cheapest energy is the one you don't use. We call on policy makers to establish clear and enabling frameworks, to encourage the renovation of buildings as to consume less energy, i.e. through better insulation, more efficient energy sources and other relevant measures.

Consumers are key for the Green Transition. For all of them to be on board, the road to a sustainable energy market must be one they are willing to take, not one they are forced to build at heavy cost. Together consumers can lead the way, empowered by trustworthy information, concrete guidance, and above all convenient and affordable alternatives. [#ApprovedByTomorrow](#)

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<sup>1</sup> See, for instance, the case of France, where nuclear power makes up the vast majority of electricity production. Because a small part of the electricity production comes from gas, the price of MWh can still peak at €160-170.



## **About Euroconsumers**

Gathering five national consumer organisations and giving voice to a total of more than 1.5 million people, Euroconsumers is the world's leading consumer cluster in innovative information, personalised services and defence of consumer's rights. We work closely together with Consumers International to ensure consumers are safe, that markets are fair and benefit from honest relations with businesses and authorities. Our European member groups are also part of the umbrella network of BEUC, the European Consumer Organisation. Together, we advocate for EU policies that benefit consumers in their daily lives