CER MC letter on energy prices
Brussels, 13 October 2022

The Voice of European Railways

Ms Ursula VON DER LEYEN
President of the European Commission

Mr Frans TIMMERMANS
Executive Vice President of the European Commission

Ms Margrethe VESTAGER
Executive Vice President of the European Commission

Ms Kadri SIMSON
European Commissioner for Energy

Ms Adina VĂLEAN
European Commissioner for Transport

Andreas Matthä
Chairman

Alberto Mazzola
Executive Director

Dear Madam President,

Dear Executive Vice Presidents,

Dear Commissioners,

In most European countries, railways are one of the biggest single consumers of electricity as 80% of train-kilometres are run on electric energy, a growing portion of which comes from renewable sources. Railways are therefore heavily impacted by the ongoing energy price hike and see their financial viability at risk despite their very high energy efficiency.

According to a survey among our members on electricity prices, European railway companies are paying up to 420€ per MWh in 2022. On average the electricity price has at least tripled compared to 2021, with several countries experiencing a 10-fold increase. As for 2023, many energy contracts need to be re-negotiated and the price forecast in some cases exceeds 500€/MWh. As a result, rail costs continue to increase significantly.

It is evident that railways as the backbone of sustainable mobility and transport in the EU are in peril and that fossil-fuel-reliant transport modes are currently gaining a competitive advantage over more sustainable, electricity-based transport modes such as railways, making the EU green transition impossible to achieve.

In this challenging situation Europe´s railways need support in order to ensure that the goal of a decarbonized European transport and mobility sector remains achievable. With this letter we call on you to consider further extraordinary measures:

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1. **Rail should benefit from surplus revenues.** The provisions of Article 6 of Council Regulation 2022/1854, which cap market revenues of producers of electricity from certain non gas-related "inframarginal technologies" at 180 € per MWh are a positive step, provided that Member States take into consideration rail's high exposure in the electricity market when allocating, according to Article 9 of the Regulation, the surplus revenues resulting from the application of the cap. Rail must adequately benefit from the surplus revenues to reduce the unit cost of rail electricity.

2. **Track Access Charges.** Member States should be allowed to support railway companies by reducing, waiving or deferring the payment of track access charges. One way to achieve this could be to prolong Regulation 2020/1429 until December 31st, 2024. The Regulation establishes the measures for a sustainable rail market in view of the COVID-19 outbreak Currently, the period of application of this Regulation is set to expire on December 31st, 2022.

3. **Energy supplies must be secured**. As identified by the International Energy Agency railways must be included in a strategic toolkit for saving energy. Member States should pursue a holistic approach when introducing demand reduction targets as per Article 4 of the Council Regulation 2022/1854 on an emergency intervention to address high energy prices. Therefore, energy-efficient electricity consumers, such as rail, which are committed to decreasing energy consumption without reducing transport services, should receive special treatment when addressed by the energy reduction measures foreseen by the Regulation. Any energy supply reduction during peak hours would mean for railways a necessary reduction of passenger services offered during those hours, leading to a reverse modal shift which would inadvertently benefit more polluting and less energy efficient modes of transport. Moreover, the level of service offered to customers who rely on rail as a public service should not be reduced.

4. **An electricity price cap might be considered for services of general interest, such as rail.** It must be stressed that any ceiling applied to market revenues similarly to the cap defined by Regulation 2022/1854 does not directly affect the retail electricity price. To stabilize the rail sector and avoid additional inflation, caused by a massive increase in rail transport and rail ticket prices all over Europe, a retail electricity price cap could therefore be set at an adequate level.

5. **Sufficient State aid is needed for railways.** The Temporary Crisis Framework for State aid in the context of the Ukraine war allows Member States to partially compensate companies for high energy prices in order to ensure the continuation of the economic activity, with a proposed ceiling limited to €50 million for energy-intensive users. However, the additional costs for railways are much higher, with some railway companies expecting up to €2 billion increased annual costs, making the thresholds set in the Framework inadequate for rail. Finally, financial ratios to benefit from such measures should not penalize industries, like rail, that have already suffered from the COVID crisis recording more than €50 billion losses which were only partially compensated.

We hope that you will carefully consider the issues described in this letter and assess the possibility to reply positively to the suggestions we put forward.

We remain at your disposal, should you have any question.

Andreas MATTHÄ

Chairman

Alberto MAZZOLA

Executive Director