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EU'S HIGH ENERGY PRICES – CAUSES AND POLICY IMPLICATIONS FOR ELECTRICITY SECTOR

Based on the official data from the EU institutions, I will present the leading causes of the energy price surge in the EU that occurred in 2021 and continued until today. While the average electricity wholesale prices at least doubled, compared to the highest average yearly prices from the preceding decade, the average gas prices increased about five times. They proved to be the primary driver of the electricity price surge, indicating that the two markets are still strongly coupled. That gave rise to a political debate across the EU about gas dependency and the designs of gas and electrical power markets. The Russian invasion of Ukraine made Europe aware of this big strategic problem in a shocking way.

Besides gas prices, the other factors, although less important, that contributed to the crisis were increased demand for energy due to post-covid economy acceleration, increasing carbon emission prices, and perhaps the unfavorable weather patterns across Europe that affected both demand and supply sides. Presently available information does not suggest that any significant market manipulations have occurred prior to the invasion. However, after it, the question of subtle and concealed market manipulations of the past seem to be losing the importance.

The shocks such as the current one carry a latent danger of making sectoral policies in haste, under an impression of immediate unfavorable events. That could alleviate some problems in the short run and transgress into more significant structural issues in the following long-term periods. Therefore, it is crucial to investigate the reasons for such grave market disturbances and communicate clearly to the broadest public what the perspectives are and what needs to be done to increase the overall resilience, as it concerns the security of the energy supply.