CORVINUS UNIVERSITY of BUDAPEST

Author(s):



Adrienn, Selei; Borbála Takácsné, Tóth; Balázs, Felsmann; Péter, Kotek

Organisational unit: Regional Centre for Energy Policy Research, Institute of Strategy and Management, Institute of Economics

Title: What can the EU do to address the high natural gas prices?

Publication data: ENERGY POLICY, 2023

Journal ranking: SJR 2022: D1, Alp 2021: 90

Abstract:

Natural gas prices worldwide increased on the back of the COVID economic recovery in 2021. European prices skyrocketed when the dominant external supplier, Gazprom, started to withhold supplies in Q4 2021. This analysis uses market modelling to assess and compare the effectiveness of various measures to mitigate the gas – and by extension energy – price crisis in the short and longer term. First, the realization of the 5th PCI package adopted by the European Commission in November 2021 would significantly reduce EU prices, especially in the Eastern Member States that tend to be more dependent on the single external supplier. At the same time, the billions of euros that would be poured in risk becoming stranded assets in the long-term with tightening climate regulations. Secondly, uniform voluntary demand response has significant potential to reduce prices, especially in the Eastern Member States. Thirdly, the introduction of European strategic gas reserves can bring temporary price relief but is not a cost-efficient solution. However, security of supply considerations can outweigh the negative economic outcomes.

DOI: