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ECONOMIC AND SOCIAL COUNCIL OF GREECE

OWN-INITIATIVE OPINION

Energy and the energy crisis - Addressing the economic and social consequences

ΓΝΩΜΗ ΠΡΩΤΟΒΟΥΛΙΑΣ

Ενέργεια και ενεργειακή κρίση - Αντιμετώπιση
των οικονομικών και κοινωνικών συνεπειών

OWN-INITIATIVE OPINION OF THE ESC

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Foreword

This own-initiative opinion has been initiated to address the contemporary socio-economic problems that have accumulated under the weight of the structural transformation of energy costs incurred as a consequence of international geopolitical uncertainties and national tariff asymmetry.

The Economic and Social Council of Greece (ESC), following an impact assessment of the successive crises that have unfolded over the past five years (i.e. the pandemic, climate change), has developed a framework of structured social dialogue with its members on this extremely important issue, to explore the aspects of the energy crisis, analyse the effects on economic growth and social cohesion and propose policies and solutions to mitigate the adverse effects of the energy crisis at national and European level.

The outcome of this own-initiative opinion will be part of a broader consultation process with national governing bodies (government, local authorities) and European and international bodies as part of an upcoming conference on climate change, the energy crisis and energy cooperation in the Balkans and the Mediterranean.

The President

Ioannis Paidas

Introduction

Own-initiative opinion objectives

The ESC's own-initiative opinion on energy crisis and its impact on the economy and the society addresses the current need to effectively develop a policy framework in the field of energy policy that will reinforce the safety net for the different social groups -affected in different ways and on different levels-, for businesses -facing competitiveness problems- and for the adequacy of the national energy reserves -suspended between the Green Transition and international energy crisis that followed the pandemic crisis.

The objectives of the own-initiative opinion start by describing the current situation in the energy field in 2021-2023 under the weight of rapid price increase and its impact on the economy and society. However, the aim is to make suggestions in the short~, medium~ and long-term that will appeal to all social partners and seek strategic solutions along the following lines:

- ❖ Ensure maximum domestic **energy self-sufficiency** with energy safety in mind, with emphasis on vulnerable infrastructure and coverage of populations and businesses regionally.
- ❖ Promote **energy saving** actions across the whole spectrum of economic and social life, in the public sector as well as in households and businesses.
- ❖ Optimise the potential for energy **storage** and increase of energy reserves.
- ❖ Address the problem of **energy poverty** afflicting a large part of the population and small businesses.
- ❖ Develop interconnection networks fully, to capitalise on small~ and large-scale investments in RES.
- ❖ Promote small~ and large-scale energy investments, with emphasis on energy democracy and inclusivity in production and consumption.
- ❖ Put emphasis on investments that increase the added value for the country (with the possibility of exporting energy products) and the protection of workers in sectors under transition.
- ❖ Include the circular economy strategy in the national energy and climate strategy, including the need to use produced waste in energy production.
- ❖ Ensure the sustainability of manufacturing enterprises, the agri-pastoral sector and industrial production via targeted interventions that shall reinforce these sectors in terms of both energy costs and potential resource savings.
- ❖ Support the competitiveness of the Greek industry, to which the reduction of energy and production costs is vital.
- ❖ Improve energy infrastructure to enhance the quality of provided tourism and resource adequacy.

- ❖ Redirect the financial resources of the Recovery Fund to promote the aforementioned objectives, with emphasis on climate neutrality, sustainable development and energy poverty (interest rate control).
- ❖ Optimise organisational coordination of the authorities that manage and supervise the energy market (Independent Power Transmission Operator, Regulatory Authority for Energy, Hellenic Electricity Distribution Network Operator, power exchange).
- ❖ Develop an integrated strategy with alternative options for the energy mix for the next 20 years (exploring the prospects of hydrocarbons / hydrogen / electrification), by exploiting national natural resource deposits (in accordance with the highest environmental standards), as well as pipelines, cables and infrastructure for the transportation and transit of natural gas, hydrogen and electricity.

The proposed interventions should guarantee uninterrupted and low-cost energy for households and the economy, which should be considered to be a building block for prosperity and cohesion, but also be consistent with the objectives set for sustainable development and tackling climate change.

In summary, the 4 central pillars on which the national energy policy should focus, with targeted, specific and general, short- and long-term measures, are Saving, Storing, Increasing production volume and Marketing of energy products.

The situation today

The energy crisis that has unfolded over the last 2 years has triggered a spiral of inflationary pressures on consumer goods and raw materials internationally and has led to a major domestic market rearrangement. This process, now intensified since the war started in Ukraine, has accelerated the course of the EU in search of cleaner energy, but with obvious structural and social consequences for the industry and household incomes.

The combination of the energy, climate and geostrategic crisis has resulted in a dramatic increase in the cost of production in the primary sector across the European continent. In our country, in particular, high production costs are leading the primary sector to a dead end, since the cost of fertilisers and other materials have soared due to the wave of price increases. Specifically, according to recent data by the Hellenic Statistical Authority (ELSTAT), in 2022 the market for goods and services for agricultural holdings increased by 25% compared to 2021, making the viability of the domestic agricultural sector difficult to maintain. Threats to the primary sector in Greece and the EU are therefore visible, significantly affecting food security, which is largely the basis of any other activity.

The energy landscape mainly in Europe (and to a lesser extent, if at all, in the rest of the world) had started to change as a result of measures to tackle climate

change. Since the UN Conference in Kyoto in 1997, humanity has become increasingly aware of the need to reduce emissions of greenhouse gases in order to counteract the dangerous increase in global temperatures, which threatens the balance of the environment. The most recent goal was set at the Paris Conference in 2015: keep global temperature increase well below 2 degrees Celsius and, even better, to 1.5 degrees, compared to pre-industrial levels, by the end of the 21st century.

In parallel with external shocks, the energy market has undergone a strong degree of restructuring internationally, related to the declared goals of fossil fuel decarbonisation, the integration of renewable energy sources (RES) on a large and small scale, the digitalisation of electricity consumption and metering devices, and the opening up to competition through the development of new networks¹.

The change in the energy mix has played a key role in this restructuring process, since two thirds of greenhouse gas emissions have been associated with the combustion of fossil fuels used in sectors such as heating, transportation, industry and electricity generation.

The role of the Recovery and Resilience Fund

The purposes of the Green Deal and Just Transition are served operationally by the financial programme of the Resilience and Recovery Fund. Through the Fund, the European Union shall make available to EU member states a total of €723.8 billion in the form of loans and €385.8 billion in subsidies. Each Member State is required to allocate 37% of the funds for green transition and 20% for the digital transformation of the economy.

In Greece in particular, an inflow of €30.92 billion of investment resources is expected from the Recovery Fund, of which €18.19 billion shall be subsidies and €12.73 billion shall be loans. The total investment resources to be mobilised shall amount to €57.47 billion. 6.03 billion shall be made available for the Green Transition from the Recovery Fund budget, while the total investment resources to be mobilised towards Green Transition shall amount to €10.39 billion. More specifically, Green Transition shall be geared towards the four points below:

- transition to a new environmentally-friendly energy model (€1.2 billion from the Recovery Fund budget, with €2.57 billion being the total investment resources to be mobilised),

¹ <https://oe-e.gr/wp-content/uploads/2022/09/%CE%97-%CE%B5%CE%BD%CE%B5%CF%81%CE%B3%CE%B5%CE%B9%CE%B1%CE%BA%CE%AE-%CE%BA%CF%81%CE%AF%CF%83%CE%B7-%CE%BA%CE%B1%CE%B9-%CE%B7-%CE%B5%CE%BB%CE%BB%CE%B7%CE%BD%CE%B9%CE%BA%CE%AE-%CE%BF%CE%B9%CE%BA%CE%BF%CE%BD%CE%BF%CE%BC%CE%AF%CE%B1.pdf>,
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- energy refurbishment of the existing building stock in the country and spatial reform (€2.54 billion and €4.28 billion respectively),
- transition to a green and sustainable transportation system (€520 million and €1.2 billion respectively), and,
- sustainable use of resources, resilience to climate change and conservation of biodiversity (€1.76 billion and €2.34 billion respectively).

A further impetus to the European shift to green energy shall be given by REPowerEU Plan, which serves a dual purpose: end EU's dependence on Russian fossil fuels and tackle the climate crisis. More specifically, it includes energy-saving measures that will lead to a reduction in consumption, an increase in the share of RES by 2030 from 40% -as foreseen in the "Adapt to 55" package- to 45%, an "EU solar strategy" that includes more intensive use of photovoltaic panels, doubling of photovoltaic capacity by 2025, installation of 600 GW by 2030, etc.

Proposals to address the energy crisis

This section lists and presents some of the most important policy proposals supported by the ESC to mitigate the impact of the energy crisis and improve overall economic and social well-being, with an emphasis on developmental transformation towards a production system which is more climate-neutral. At the same time, it highlights the need to formulate a forward-looking energy strategy that integrates the objectives of sufficiency, storage capacity, sustainable development and reduction of energy poverty.

The first set of interventions is universal and horizontal in application and relates to the 4 central pillars for energy policy in the country (Saving, Storing, Producing, and Supply and marketing).

The policy proposals are then further specified in 4 sub-categories (workers, vulnerable groups, industry- SMEs, agri-food sector, Greek economy) to be linked to specific measures per sector and category of beneficiaries.

Horizontal Policy interventions

Energy saving

Energy saving and energy efficiency must also create a positive economic effect for the stakeholders. Benefits include reducing dependence on hydrocarbon imports and energy prices, and addressing sudden increases or shortages effectively. In summary the following are proposed:

- ❖ Facilitate and accelerate procedures for the installation of photovoltaic systems and other forms of energy efficiency in businesses, apartment buildings and public areas. Particular emphasis is given to the national necessity to promote immediately a horizontal program for the installation of solar water heaters in (at least) all main residences in the country, considering that the use of solar heaters is the utmost intervention of domestic energy saving with a 27.5% reduction in electricity consumption and with the additional peculiarity that the Greek solar manufacturing industries (employing more than 3,500 workers) are among the top 20 in the world.
- ❖ Promote energy saving actions in facilities of social institutions, hospitals and schools; grant subsidies to cover the cost of modifications that increase energy efficiency (thermal insulation, installation of solar water heaters and heat pumps, among others)

- ❖ Provide incentives for energy and fuel-saving business initiatives (e.g. cheaper electromobility, alternative means of transport e.g. electric scooters and bicycles in city centres).
- ❖ Implement net metering effectively and broadly for both households and small and medium-sized enterprises.
- ❖ Energy-intensive industry is already exhausting the potential for energy savings and efficiency due to a major impact on production costs. A concerted effort is required to reduce energy intensity in other sectors such as public buildings, business premises, households and transportation.

Energy storage

In parallel with investments and networking in the energy sector, appropriate infrastructure should be provided to accommodate the increased need to maintain diversified safety stock. To this end, it is necessary to:

- ❖ Modernise and enhance the electricity distribution network, as its obsolescence is already undermining its resilience, creating reliability problems.
- ❖ Foster a culture of energy saving and adopting net metering and self-consumption systems, through the installation of small PV systems and wind turbines.
- ❖ Evaluate the possibility of short-term operation of lignite plants, as a last resort during periods of shortage and high demand, with a simultaneous environmental upgrading to reduce hazardous emissions.
- ❖ Promote actions to incorporate options for providing a differentiated product to suppliers (service stations etc.) for the use of LNG, battery charging facilities, hydrogen fuel infrastructure).
- ❖ Provide faster licensing procedures for establishing smaller and larger power generating and storing plants (at local and regional level).
- ❖ Provide more effective coordination between IPTO and HEDNO in terms of planning, maintenance and construction of interconnection networks.

Energy production

Incentives to increase domestic energy production should not be limited to developing interest in meeting domestic demand, but should explore the export potential of the industrial energy sector. The ESC proposes the following:

- ❖ Promote investments in RES by businesses and households, by ensuring the effective and timely implementation and enforcement of the Regulation for RES licensing acceleration and harmonising the proposals included in the

Specific Environmental Study (SESs) drafts for site-planning and licensing of RES installations, based on the relevant EU Planning Guidelines.

- ❖ Support domestic production of photovoltaic panels. Especially with regard to Energy Saving, solid Greek operators in the sector of aluminium, thermal insulation materials of all kinds and solar water heaters ensure that the industry is competitive and innovative.
- ❖ Improve the existing network infrastructure which currently is not sufficient to accommodate the photovoltaic installations to be used.
- ❖ Immediately expand and rapidly implement new international power interconnections.
- ❖ Power-producing companies should be export-oriented.

Supply and marketing system

One of the key issues facing the energy sector in the country today is the rational and fair allocation of resources and surcharge in the energy sector, and in particular in the supply/marketing and pricing system. In order to avoid speculative behaviour and alleviate vulnerable households, the following are required:

- ❖ Reduce VAT for specific energy markets and energy product markets.
- ❖ Ensure transparency and stability in the pricing of energy supply tariffs.
- ❖ Combat profiteering in various parts of the entire value chain, by creating and staffing modern supervisory services and utilising digital media.
- ❖ Allow businesses to repay bills already issued at increased price levels by the electricity and gas suppliers within six months, in order to facilitate the already stressed liquidity of businesses.
- ❖ Change electricity pricing. The reliance of pricing on the cost of the most expensive producer is found nowhere else in the economy, leads to market distortion, creates excess profits for providers and pushes consumers into impoverishment. Pricing should be based on the product of each producer's participation rate multiplied by its production cost.

National economy - institutional interventions

The need to terminate the country's dependence on imported fossil fuels as well as to provide for an efficient and fair energy transition, are the key pillars of the Greek energy policy. High price levels for energy, which were generated in the post-pandemic period and fixed after the Russian invasion in Ukraine, is a critical economic factor affecting the production process and the sustainability of the existing development model. However, the Greek state should take initiatives to develop an

appropriate institutional and structural model for the development and supervision of the energy sector in the country.

SHORT-MEDIUM TERM MEASURES

- ❖ The National Energy and Climate Plan Review procedures shall be concluded, to update the national targets regarding the generation of electricity / diversification mix (including the various RES technologies).
- ❖ Activate a Development Bank to increase financial instruments in order to promote investments related to green economy and energy saving. In addition, work together with the financial sector to provide financing programmes for small-scale investments in private, local and regional energy projects.
- ❖ Shape a modern supervisory role for RAE, with the participation of social partners and consumer organisations.
- ❖ Harmonise the proposals included in the Specific Environmental Study (SEs) drafts for site-planning and licensing of RES installations, based on the relevant EU Planning Guidelines.
- ❖ Introduce a horizontal mechanism for the coordination of the Ministry for the Environment and Energy policies affecting the development of RES (spatial, environmental, climate, energy) based on the revised medium~ and long-term objectives for energy, climate and biodiversity protection.
- ❖ Fully incorporate Directive 2018/2001 on promoting the use of energy from RES into Greek law.
- ❖ Promote green transport actions for cars, trucks, buses and public transportation.
- ❖ Harness solar energy for lighting local and regional streets and neighbourhoods.
- ❖ Participation/joint consolidation of measures related to the energy sector as part of the finalisation of the Fit for 55 Package of measures (in particular: revision of the Renewable Energy Directive, revision of the Alternative Fuel Infrastructure Regulation, ReFuelEU Aviation initiative, FuelEU Maritime initiative, revision of the Energy Taxation Directive, revision of the Energy Efficiency Directive).
- ❖ Participation/joint consolidation of measures referred to the energy sector as part of the finalisation of the REPower EU Action Plan on energy saving, clean energy production and diversification of energy supply (EU Solar Energy Strategy, Communication on Energy Saving in the EU, Amended proposal to revise Directive 2018/2001 on RES) and implementation of related medium-term actions (available here).

LONG-TERM MEASURES

- ❖ Develop the country's strategic cooperation in the energy sector with third energy-producing countries and consumers, based on respect for the rules of international law, fair trade and environmental protection.
- ❖ Take initiatives across the Balkans to develop more interconnections between businesses and power grids.
- ❖ Increase the participation rate of Green Public Procurement in annual tenders.
- ❖ Introduce provisions in the Development Law for separate actions on energy saving in public buildings, as well as in private structures.
- ❖ Increase participation of consortium projects for small wind turbines, energy communities, etc.
- ❖ Develop a framework to facilitate the establishment of an energy storage and utilisation infrastructure.
- ❖ Strengthen public services and institutions (ELSTAT, RAE, HEDNO) to monitor performance indicators that simultaneously address energy poverty, trends towards climate neutrality, sustainable development goals.
- ❖ Adapt national legislation to the long-term objectives that will gradually result from the finalisation of the REPower EU Action Plan (available here).
- ❖ Special care should be taken with regard to urban planning reform and the new Local and Special Urban Plans, to define compatible land uses for the legal protection of energy investments and RES installations (including, among others, site-planning of biomethane installations, site-planning of storage systems, etc.).
- ❖ Finalise maritime spatial planning and the implementation of the framework for the development of offshore wind farms under Law 4964/2022 (Designation of Areas for the Organized Development of Offshore Wind Farms and designation of Installation Areas).

Summary

This own-initiative opinion of the Economic and Social Council of Greece aims to highlight the main consequences of the recent energy crisis, which had a major structural impact on the economy and society, both in terms of rising prices and inflation, as well as in income poverty and access to cheap energy. The new conditions set up a suffocating operating framework for small~ and medium-sized enterprises and threaten the viability and existence of the Greek industry.

On the other hand, the need for a fast and efficient transition to a green climate-neutral economy model has also brought about major structural changes concerning local entrepreneurship, employment and diffusion of alternative energy sources.

Through the study and analysis of the data and the effects of the energy and inflationary crisis, the ESC has brought forward a set of proposals on the need for a more proactive energy policy with emphasis on achieving self-sufficiency, ending dependence on imported fossil fuels, developing a transparent pricing, the marketing/supply and distribution system and protecting vulnerable groups from the risk of energy poverty.

At the same time, on a geopolitical level, Greece should establish a cooperation plan with neighbouring and other countries for the exploitation of existing resources and the exchange of know-how in order to accelerate non-dependence on imported energy.

The above issues will constitute a specific and distinct session of consultation and dialogue with counterparts and partners in the context of the international conference to be held in Thessaloniki, on 20 March 2023, on strengthening the cooperation between economic and social committees and the new challenges emerging in the Balkans and south-eastern Europe (energy crisis, economic cooperation in the energy sector, institutional and regional integration).



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