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REPORT

From:	General Secretariat of the Council
To:	Permanent Representatives Committee / Council
Subject:	Proposal for a COUNCIL REGULATION on coordinated demand reduction measures for gas

1. INTRODUCTION

1. On 30 and 31 May 2022 the European Council called for improvement of the gas markets, in particular through coordinated European contingency plan, which should ensure that major supply disruptions are mitigated.
2. On 20 July 2022 the Commission presented the proposal for a Council Regulation on coordinated demand reduction measures for gas as a part of the Communication from the Commission “Save gas for a safe winter“. This proposal is based on Article 122 of the Treaty on the Functioning of the European Union (TFEU) and proposes to set a target for all Member States to reduce gas demand by 15% between 1 August 2022 and 31 March 2023.

2. STATE OF PLAY

3. The Presidency, having taken into account major concerns of the Member States, proposed the REV1 document for the first exchange of views at the Coreper meeting on 22 July.
4. During that meeting, a number of Member States expressed their satisfaction with the general direction of the REV1 proposal and their support to the current text with minor reservations. On the other hand, there was still a number of Member States, which could not support the text for various reasons.
5. In general, the Member States welcomed the clarification of taking into account of early efforts on consumption reduction and widely supported the shift to strengthening the Council's competence in triggering the Union alert. The Member States, however, called among other things for national specificities to be taken into account while setting up mandatory reduction targets, lowering the administrative burden and increasing flexibility in designing reduction measures.
6. The Member States agreed upon the importance of sending a strong political signal of EU unity and solidarity, as gas supply disruptions can happen at any time, and the situation in the EU is already tense.
7. Therefore, in view of the next round of negotiations, the Presidency has consolidated the comments of the Member States while focusing on the main issues and presents REV2 document ahead of the Coreper meeting on Monday 25 July.
8. In Article 2, the definition of “gas consumption” has been aligned with the Eurostat definition to provide clarity throughout the whole text of the proposal.
9. In Article 4, it has been clarified, that the Council adopts an implementing decision on the declaration of a Union alert.

10. One of the main issues identified was the reflection of Member States' specificities in fulfilling the reduction target. Therefore, a number of provisions have been added in order to balance the burden sharing among the Member States.
- a. In Article 5, paragraph 2, the word "reduction", which clarifies that early effort will be taken into account, has been deleted. In addition, a provision has been added to reflect, in the calculation of the reduction target, a situation of those Member States that have witnessed significant increase in their gas consumption as a result of the post-covid economic recovery.
 - b. In Article 5, paragraph 2a, minor wording changes have been made to clarify the application of the derogation.
 - c. In Article 5, a new paragraph 2b has been added to reflect the situation of those Member States that are not directly interconnected to gas interconnected system of any other Member State.
 - d. In Article 5, a new paragraph 2c has been added to reflect early effort in the area of gas storage filling obligations in view of strengthening resilience before the upcoming winter.
 - e. In Article 5, a new paragraph 2d has been added to allow for increased flexibility of the demand reduction target in order to reflect the critical importance of certain critical industries and production chains using gas as a feedstock as mentioned in the Communication "Save gas for a safe winter".
 - f. In Article 5, a new paragraph 2e has been added to reflect the situation where the reduction of gas consumption has a limited or no impact on solidarity towards other Member States, specifically on increasing exports to other Member States provided that there is sufficient evidence to support that.
 - g. In Article 5, new paragraphs 2f to 2i have been added to ensure consultation of the appropriate bodies on the flexibility measures, to set the rules on adoption, monitoring or possible withdrawals of those measures throughout paragraphs 2c, 2d and 2e.

11. In Article 6, paragraph 1, the Presidency has decided to delete subparagraph (c) as several delegations expressed uncertainties about the contribution of this subparagraph to the overall aim of the text.
12. In Article 6, paragraph 2, and throughout the whole text of the proposal, the wording has been amended to increase flexibility for the measures appropriate for reaching of the demand reduction target.
13. In Article 7, paragraph 2, the deadline for updating the national emergency plan has been moved to 31 October as several delegations expressed that the deadline is too short for such a complex task.
14. Several other wording changes have been made throughout the text as to improve legal clarity.
15. New text in REV 2 is ***bold italics and grey shaded***, deletions are ~~*strikethrough italics grey shaded (can be **bolded and underlined***~~. Other markings are from REV 1.

3. **QUESTIONS TO THE DELEGATIONS**

16. In light of the discussions held so far and taking into account the changes presented to the Permanent Representatives Committee in the revised document 11521/2/22 REV 2, the Presidency asks the delegations to express their view on the percentage points marked as [X] in Article 5, paragraph 2e, by which a Member State can reduce its mandatory demand reduction.
17. The Permanent Representatives Committee is invited to examine the latest compromise text as revised by the Presidency and set out in the Annex to this document with a view to submitting it to the extraordinary TTE Council, for a political agreement at its meeting on 26 July 2022.

2022/0225 (NLE)

Proposal for a

COUNCIL REGULATION

on coordinated demand reduction measures for gas

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 122(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The Russian Federation, the Union's main external gas supplier, has started a military aggression against Ukraine, a Contracting Party of the Energy Community. The escalation of the Russian military aggression against Ukraine since February 2022 has led to gas supplies declining markedly, in a deliberate attempt to use gas as a political weapon. Pipeline flows of gas from Russia through Belarus have stopped and supplies through Ukraine have steadily decreased. Overall flows from Russia are now less than 30% of the average of 2016-2021. This supply reduction has led to historically high and volatile energy prices, contributing to inflation and creating a risk of further economic downturn in Europe.

- (2) Against this background, the Union has developed the REPowerEU Plan on 18 May 2022¹ with the aim to end the Union's dependence on Russian fossil fuels, as soon as possible and at the latest by 2027. To achieve this, the REPowerEU Plan sets out measures related to energy savings and energy efficiency and proposes an accelerated roll-out of clean energy to replace fossil fuels in homes, industry and power generation. ***Further measures on the supply side may include, inter alia, a better coordination of gas purchases, and the facilitation of joint purchases by European gas market operators on the international gas market, as well as a best efforts to preserve all electricity production capacities that do not rely on imported gas supplies, in particular renewable and low-carbon electricity production capacities.***
- (3) The Union has taken further measures to increase its preparedness against gas supply disruptions. Regulation (EU) 2022/1032 of the European Parliament and of the Council² was adopted to ensure the filling of underground storage sites for the coming winter.
- (4) Furthermore, in February 2022 and in May 2022 the Commission carried out in-depth reviews of all national emergency plans and has also carried out in-depth monitoring of the security of supply situation. The measures taken since February 2022 were designed to be able to fully phase-out from Russian gas by 2027, and to reduce the risks stemming from a further major supply disruption.
- (5) However, the recent escalation of disruptions of gas supply from Russia points to a significant risk that a complete halt of Russian gas supplies may materialise in the near future, in an abrupt and unilateral way. The Union should therefore anticipate such a risk and prepare, in a spirit of solidarity, for the possibility of a full disruption of gas supplies from Russia, at any moment. Immediate proactive action is necessary to anticipate further disruptive actions and strengthen the resilience of the Union to future shocks. Coordinated action at Union level can avoid serious harm to the economy and citizens resulting from a possible gas supply interruption,

¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions REPowerEU Plan (COM/2022/230 final).

² Regulation (EU) 2022/1032 of the European Parliament and of the Council^[1] of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage (OJ L 173, 30.6.2022, p. 17).

- (6) The current legal framework for security of gas supply set by Regulation (EU) 2017/1938¹ does not adequately address disruptions of a major gas supplier of more than 30 days. The missing legal framework for such disruptions leads to a risk of uncoordinated action by Member States, which threatens to endanger security of supply in neighbouring Member States and may put additional burden on the Union's industry and consumers.
- (7) In its resolution of 7 April 2022 on the conclusions of the European Council meeting of 24-25 March 2022, the European Parliament called for a plan to continue ensuring the Union's security of energy supply in the short-term to be presented. In its meetings on 31 May and 23 June 2022, the European Council requested the Commission to make proposals for improving preparedness for possible major supply disruptions as a matter of urgency with a view to securing energy supply at affordable prices. ***Following the request from the European Council, the Commission is also assessing possibilities to introduce price caps for gas or electricity and to improve the current electricity market design to the benefit of consumers and industry but without endangering security of supply.***
- (8) Article 122(1) of the Treaty on the Functioning of the European Union allows the Council to decide, on a proposal from the Commission and in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy. The risk of a complete halt of Russian gas supplies by the end of this year as described above constitutes such a situation.

¹ Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010.

- (9) Given the imminent risk of disruption of gas supplies to the Union, Member States should take measures now to reduce their demand ahead of the winter season. Such voluntary demand reduction would contribute notably to the filling of storage capacities, which would not be depleted at the end of the winter, allowing to cope with possible cold spells in February and March of 2023 and facilitating the filling of storages to ensure adequate levels of security of supply for the winter 2023-2024. Reducing demand for gas will also help ensure adequate supply and drive prices down, to the benefit of the Union consumers. Therefore, measures taken at Union level to reduce demand would benefit all Member States by decreasing the risk of a more substantial impact on their economies.
- (10) The amount of the ~~recommended~~ **voluntary** demand reduction ~~should~~ **takes into account** ~~consider~~ the volumes of gas demand which would be at risk of non-delivery in case of a full disruption of Russian gas supplies. The volume of the reduction should be **the same for** ~~distributed amongst~~ all Member States, based on a comparison with their average consumption over the last 5 years.
- (11) In order to promptly address the specific challenges of the ongoing and anticipated severe worsening of gas supply shortages and avoid distortions between Member States, the ~~Commission~~ **Council** ~~should be empowered~~ **may, on a proposal from the Commission, by means of an implementing act** to declare **a Union alert. Before presenting a proposal, the Commission should consult**, ~~after consultation of the relevant risk groups and the Gas Coordination Group ('GCG'), established under Regulation (EU) 2017/1938, and taking into account any views expressed by the Member States in that context,~~ **a** Union alert **should only be issued**, in case the voluntary demand reduction measures prove to be insufficient to address the risk of a serious supply shortage. ~~Three-Five~~ or more competent authorities of Member States which have declared nation alerts should be given the possibility to request the Commission **to present a proposal to the Council** to declare a Union alert.

- (12) The Union alert should serve as a Union-specific crisis level, which should trigger mandatory demand reduction, **independently of**. ~~It should not have a legal impact on the national crisis levels pursuant to Article 11(1) of Regulation (EU) 2017/1938. Voluntary measures may not by themselves be sufficient to ensure security of supply and market functioning. Therefore, a new instrument introducing the possibility for a mandatory gas demand reduction for all Member States should be established. It should become operational sufficiently in advance of the autumn. Once a Union alert has been declared, all Member States should be obliged to reduce their gas consumption within a pre-defined period. The ~~volume~~amount of the necessary **mandatory** demand reduction ~~volumes~~ should consider **takes into account** the volumes of gas demand which could be at risk in **the** case of a full disruption of Russian gas supplies and should fully take into account ~~voluntary~~ **any** demand reduction already achieved ~~during the same period~~. The volume of the reduction can be distributed amongst all Member States, based on a comparison with their average consumption over the last 5 years. The volume ~~and the duration~~ of the mandatory demand reduction obligation should also take into account the level of storage filling as reported pursuant to Article 6(d)(1) of Regulation (EU) 2017/1938, the development concerning the diversification of sources of gas, including LNG supplies and the development of fuel substitutability in the Union.~~

- (13) ~~With a~~ **In** view ~~of to~~ the significant distortions of the internal market which are likely to occur if Member States react in an uncoordinated manner to a potential or actual further Russian supply disruption, it is crucial that all Member States reduce their gas demand in a spirit of solidarity. All Member States should therefore, achieve the same voluntary and mandatory reduction targets. While some Member States may be more exposed to the effects of a disruption of Russian supplies, all Member States will be negatively affected and can contribute to **limiting** the economic harm of such disruption, be it by freeing up additional volumes of pipeline gas or LNG cargoes which can be used by Member States with significant gas deficits, be it by the positive effect on gas prices which a demand reduction is likely to have, be it by avoiding market distortions through uncoordinated and contradicting demand reduction measures. This Regulation therefore reflects the principle of energy solidarity, which has recently been confirmed by the Court of Justice as a fundamental principle of EU law¹.
- (14) However, certain Member States are, due their specific geographical or physical situation, such as ***an actual or potential high dependency on the production of electricity from gas and lack of synchronisation with the European electricity system, or the lack of direct interconnection to the gas interconnected system of another Member State*** ~~missing or low pipeline interconnection to other Member States~~, not able to free up significant volumes of pipeline gas to the benefit of other Member States. Those Member States should therefore be given a possibility to ask for a ~~partial~~ **derogation** from the mandatory demand reduction obligation. ~~The Commission, when verifying the conditions for the application of the derogation, should take into account if the respective Member State makes full use of its gas interconnectors and uses its LNG facilities to re-direct gas to other Member States to the utmost extent, in a spirit of solidarity. The Commission should also monitor the total gas consumption as well as the use of interconnectors and LNG facilities.~~
- (14a) ***In order to facilitate Member States' effort to fulfil the objectives of Regulation (EU) 2022/1032 with regard to gas storage, the volume of gas used by Member States for storage in excess of the intermediate target for 1 August 2022 should also be taken into account for the purpose of determining the rate of their mandatory demand reduction.***

¹ Judgment in Case C-848/19 P (Germany v Poland).

- (14b) *In addition, to take proper account of the high dependency on gas of Member States' critical industries, the Member States should be able to request that gas consumption in these industries is not taken into account in determining the volume of their mandatory demand reduction. Member States should also be able to request the adaptation of their rate of mandatory demand reduction where this is necessary to maximise the supply of gas to other Member States and they are able to produce evidence that their interconnector commercial export capacities to other Member States or their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent. The Commission should monitor that the conditions for the application of those derogations are fulfilled.*
- (15) Member States should be free to choose the appropriate measures to reach the **mandatory** demand reduction. When identifying appropriate demand reduction measures and prioritising customers groups, Member States should **consider** ~~making~~ use of the measures identified in the Communication "Save Gas for a Safe Winter" of 20 July 2022. Member States should in particular consider economically efficient measures such as auctions or tender schemes, by which Member States can incentivise a reduction of consumption in an economically efficient manner. The measures taken at national level may also include financial incentives or compensations to market participants affected.
- (16) Any measure taken by Member States to reach the **mandatory** demand reduction **must** *comply with Union law and in particular Regulation (EU) 2017/1938. In particular, such measures* should be necessary, clearly defined, transparent, proportionate, non-discriminatory and verifiable, and should not unduly distort competition or the proper functioning of the internal market in gas or endanger the security of gas supply of other Member States or of the Union. ~~Given that non-market based measures, such as those mentioned in Annex VIII to Regulation (EU) 2017/1938, can be particularly damaging to the security of gas supply and the internal market, Member States should~~ **in principle** ~~rely on market-based mechanisms~~. It is also necessary to consider the interest of protected customers to ~~be guaranteed uninterrupted supplies of gas~~.

- (17) In order to ensure that demand-reduction measures are implemented in a coordinated manner, Member States should establish regular cooperation within each risk group as established in Annex I of Regulation (EU) 2017/1938. Member States are free to agree on the coordination measures best suited in a given region. The Commission and the ‘GCG’ should be able to have an overview of the national measures implemented by the Member States and share best practices for the coordination of measures within the risk groups. Member States should also use other bodies to coordinate their action ~~where appropriate, such as in meetings of the Director-Generals of national energy ministries.~~
- (18) In order to ensure that the national emergency plans reflect the voluntary or mandatory demand reduction set out in this Regulation, the competent authority of each Member State should take the necessary steps to update the national emergency plan **referred to in Article 11 of Regulation (EU) 2017/1938** by ~~30 September~~ **31 October** 2022. ~~The update of the national emergency plan should indicate how the measures proposed in the Communication “Save Gas for a Safe Winter” of 20 July 2022 have been used. Given the short timeframe for the update, the coordination procedures pursuant to Article 8(6) to (11) of Regulation (EU) 2017/1938 should not apply. However, Member States should consult other Member States on the update of the emergency plans. The Commission should convene the GCG, the risk groups or other relevant bodies to discuss potential issues related to demand reduction measures.~~
- (19) Regular and effective monitoring and reporting are essential for the assessment of progress made by the Member States in the implementation of the voluntary and mandatory demand reduction measures, and for measuring the social and economic impact of the measures as well as the impact on employment. The competent authority of each Member State or another entity designated by the Member State should monitor the demand-reduction achieved on their territory and regularly report the results to the Commission . The GCG should assist the Commission in the monitoring of the demand-reduction obligations.

- (20) To prevent significant economic harm ~~for~~to the Union as a whole, it is crucial that each single Member State reduces its demand in the alert phase. This will ensure that gas is sufficient for all, even in winter-times. The demand reduction across the Union is ~~therefore~~ an expression of the principle of solidarity, enshrined in the Treaty. It is therefore ~~also~~ warranted that the Commission supervises strictly that the mandatory demand reductions are carried out by Member States. In case the Commission identifies a risk that a Member State may not be able to fulfil the mandatory demand reduction obligation pursuant to Article 5, the Commission should ~~have the power to~~be able to request the Member State to submit a plan setting out the strategy and measures to effectively reach the mandatory demand reduction obligation. The Member State should take due account of any comments and suggestions of the Commission to the plan.
- (20a)** As the solidarity principle gives every Member State the right to be supported by neighbouring Member States under certain circumstances, Member States who may ask for such support should also act in a spirit of solidarity when it comes to reducing their domestic gas demand. Therefore, when requesting a solidarity measure under Article 13 of Regulation (EU) 2017/1938, Member States should have implemented all appropriate gas demand reduction measures. The Commission should be ~~empowered~~able to request the Member State requesting a solidarity measure to submit a plan with measures to achieve possible further gas demand reductions. Due account should be taken of any comments the Commission may provide on this plan.
- (21) The Commission should inform the European Parliament and the Council regularly about the implementation of this Regulation.
- (22) Considering the imminent danger for the security of gas supply brought about by the Russian military aggression against Ukraine, this Regulation should enter into force as a matter of urgency~~on the day following that of its publication~~.

- (23) *Given the exceptional nature of the measures set out in this Regulation,* ~~*Based on the information available, the risk of serious disruption of gas supplies to the Union is likely to be present for at least the next two winter seasons. Therefore,*~~ this Regulation should **apply for the period of** be valid for ~~*two*~~ **one** years after its entry into force. ~~*At the end of the first year*~~ **After [...] months** of application of this Regulation, the Commission should report on its functioning to the Council and **may**, if appropriate, propose to prolong its validity.
- (24) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but rather at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality set out in that Article, this Regulation does not go beyond what is necessary to achieve that objective.

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

This Regulation establishes rules to address a situation of severe difficulties in the supply of gas, with a view to safeguarding the EU security of gas supply, in a spirit of solidarity. These provisions include improved coordination, monitoring and reporting on national gas demand reduction measures and the possibility for the ~~Commission~~ **Council** to declare, **on a proposal from the Commission,** a Union alert as a specific crisis level, triggering a ~~compulsory~~ **mandatory** Union-wide demand reduction obligation.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘competent authority’ means a national governmental authority or a national regulatory authority designated by a Member State to ensure the implementation of the measures provided for in Regulation (EU) 2017/1938.
- (2) “Union alert” means a Union-specific crisis level triggering a mandatory demand reduction and which is not related to any of the crisis levels pursuant to Article 11(1) of Regulation (EU) 2017/1938.
- (3) **‘gas consumption’ means the overall supply of natural gas for activities on the territory of a Member State, including the final consumption of households, industry and electricity generation, but excluding, inter alia, gas used to fill storages, in line with the definition for “Supply, transformation and consumption of gas” used by Eurostat.**
inland consumption of natural gas of households, industry and electricity generation, not including gas for storage purposes and exports ~~[to be further refined in line with the Eurostat definition]~~

Article 3

Voluntary demand reduction

Member States shall use their best efforts to reduce their national gas consumption between 1 August 2022 and 31 March 2023 at least by 15% compared to their average **gas** consumption between 1 August and 31 March during the five years preceding the entry into force of this Regulation ('voluntary demand reduction'). Articles 6, 7 and 8 shall apply to those voluntary demand reduction measures.

Article 4

Declaration of a Union alert by the ~~Commission~~ Council

1. The ~~Commission~~ **Council, on a proposal from the Commission, by means of adopting an implementing ~~act~~ decision**, may declare a Union alert, ~~only when~~
- 1a. The Commission shall present the proposal for such an Union alert when it considers, that there is a substantial risk of a severe gas supply shortage or an exceptionally high demand of gas occurs, for which the measures in Article 3, ~~as reported on in accordance with ing to Article 8~~, are not sufficient, and which results in a significant deterioration of the gas supply situation in the Union, but where the market is still able to manage that disruption without the need to resort to non-market based measures.**
- 1ab. The Commission shall ~~also~~ submit a proposal to the Council to declare a Union alert where five or more competent authorities that have declared an alert at national level pursuant to Article 11(1) of Regulation (EU) 2017/1938 so request.**
- 1b. The Council, acting by a qualified majority, may amend the Commission's proposal.**

2. **Before submitting a proposal to the Council to declare a Union alert, t**
~~The Commission may~~**shall**, after consultation of the relevant risk groups, as established in Annex I of Regulation (EU) 2017/1938 and the GCG, ~~taking into account any views expressed by the Member States in that context, declare the Union alert on its own initiative or following a the request of at least three competent authorities that have declared an alert at national level pursuant to Article 11(1) of Regulation (EU) 2017/1938, or on its own initiative.~~

3. **The Council, o**
~~On a proposal from the Commission, the Council may~~**by means of an implementing act, may** declare an end to the Union alert and to the obligations pursuant to Article 5. **The Commission shall present the proposal for such implementing act to the Council when it** ~~When the Commission considers, following an assessment, that the underlying basis for the Union alert no longer justifies the~~
~~maintenance~~**declaration** of a Union alert, ~~it shall~~**and**, after consultation of the relevant risk groups, as established in Annex I to Regulation (EU) 2017/1938 and the GCG, ~~taking into account any views expressed by the Member States in that context, declare an end to the Union alert and to the obligations pursuant to Article 5.~~

Article 5

Mandatory demand reduction in case of a Union alert

1. Where the ~~Commission~~**Council** declares a Union alert, each Member State shall reduce its natural gas consumption in accordance with ~~the methodology set out in~~ paragraph 2 ('mandatory demand reduction').

2. For the purpose of mandatory demand reduction, for as long as the Union alert is declared, ~~overall gas consumption of natural gas~~ in each Member State over a period from 1 August **2022** ~~of each year until 31 March **2023** of the following year~~ (**‘implementation reduction period’**) shall be ~~reduced by at least 15%~~ **lower** compared to that Member State’s average **gas** consumption over the period between 1 August and 31 March (~~‘comparison period’~~) during the five consecutive years preceding the date of entry into force of this Regulation (**‘comparison period’**) *or, alternatively, 15% lower compared to that Member State’s gas consumption in the period from 1 August 2021 to 31 March 2022 where that Member State has at least 8% increase in gas consumption in that period compared to the average of the comparison period.* Any ~~voluntary~~ demand reductions achieved by Member States during the ~~implementation~~ **reduction** period before the **Union** alert was declared shall be taken into account for the purpose of the mandatory demand reduction.
- 2a. A Member State whose electricity system is synchronised only with the electricity system of a third country shall ~~not have to~~ be exempted from applying paragraph 2 in the event it is desynchronised from that third country’s system for as long as that Member State is required to provide isolated power system service or other services to the power transmission system operator to ensure the safe and reliable operation of the power system.**
- 2b. A Member State shall be exempted from applying paragraph 2 for as long as that Member State is not directly interconnected to a gas interconnected system of any other Member State.**
- 2c. Member States may request to decrease the average gas consumption over the comparison period used for calculation of the mandatory demand reduction target pursuant to paragraph 2 by the volume of gas equal to the difference between their intermediate target for 1 August 2022 indicated in Annex I of the Regulation 2022/1032 and the actual volume of stored gas, if they fulfil the intermediate target on this date.**

- 2d. *Member States may request to decrease the average gas consumption over the comparison period used for calculation of the mandatory demand reduction target pursuant to paragraph 2 by the volume of gas consumed over the same period as a feedstock in critical industries such as chemical and petrochemical industry, iron and steel industry, glass making, ceramics and non-metallic mineral products industry.*
- 2e. *Subject to commitment to increase the cross-border interconnection capacity Member States may request to decrease the mandatory demand reduction pursuant to paragraph 2 by a maximum of [X] percentage points, provided that they can demonstrate by submitting appropriate evidence that their export capacities on interconnectors to other Member States has actually been used for the transport of gas at a level of at least [X%] for at least two months before the notification of the derogation, and that their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent.*
- 2f. *Before deciding on the request for a reduced mandatory demand reduction pursuant to paragraph 2c, 2d or 2e, the Commission shall consult the GCG, the risk groups and, as appropriate, other relevant bodies.*
- 2g. *The request pursuant to paragraph 2c, 2d or 2e shall be made not later than 14 days after the Council has declared a Union alert pursuant to Article 4 paragraph 1. The Commission shall decide on the request no later than 20 days after the receipt request.*
- 2h. *The Commission shall continuously monitor whether the conditions for a derogation pursuant to paragraphs 2a to 2e are fulfilled.*
- 2i. *Where the conditions for the derogations in paragraph 2d or 2e are no longer fulfilled, the Commission, after consultation with the respective Member State, the GCG, the risk groups and, as appropriate, other relevant bodies, shall withdraw the derogation without undue delay.*
3. ~~Member States may request to limit the mandatory demand reduction by a maximum of 5%, provided they can demonstrate that they cannot, due to no or limited interconnection with other Member States, substantially contribute to increasing the direct or indirect supply of gas to other Member States.~~

4. ~~Member States who request a derogation from the mandatory demand reduction pursuant to paragraph 3 shall submit evidence that their interconnector capacities with other Member States or their domestic LNG infrastructure are used to re-direct gas to other Member States to the utmost extent.~~
5. ~~Before deciding on the request for a reduced mandatory demand reduction, the Commission shall consult the GCG, the risk groups and, as appropriate, other relevant bodies.~~
6. ~~The Commission shall decide on the request at the latest within two months after having received all the relevant information from the Member State.~~
7. Articles 6, 7 and 8 shall apply to mandatory demand reduction measures.

Article 6

Measures to achieve the demand reduction

1. Member States shall be free to choose the appropriate measures to reduce demand. The measures **referred to in Articles 3 and 5** shall be clearly defined, transparent, proportionate, non-discriminatory and verifiable. When selecting the measures, Member States shall take into account the principles set out in Regulation (EU) 2017/1938. The measures shall in particular:
 - (a) not unduly distort competition or the proper functioning of the internal market in gas;~~;~~ or
 - (aa) not** endanger the security of gas supply of other Member States or of the Union;
 - ~~(b) be market-based;~~
 - ~~(c) ensure uninterrupted supply of gas to protected customers or other customer groups pursuant to Articles 2(5) and 7 of Regulation (EU) 2017/1938.~~

2. When taking demand-reduction measures, Member States ~~shall~~ **should** prioritise the measures affecting **customers other than** ~~non~~-protected customers **within the meaning of Article 2(5) of Regulation (EU) 2017/1938** ~~and may also exclude customers from such measures~~ on the basis of objective and transparent criteria which shall take into account their economic importance as well as, among others, the following elements:
- (a) the impact of a disruption on supply chains that are critical for society;
 - (b) the possible negative impacts in other Member States, in particular on supply chains of downstream sectors that are critical for society;
 - (c) the potential long-lasting damage to industrial installations;
 - (d) the possibilities to reduce consumption and substitute products in the Union.
3. When deciding the demand-reduction measures, the Member States shall consider measures to reduce gas consumed in the electricity sector, measures to encourage fuel switch in the industry, national awareness raising campaigns, and targeted obligations to reduce heating and cooling, ~~and market-based measures~~ to promote switching to other fuels and reduce consumption by industry.

Article 7

Coordination of demand reduction measures

1. To ensure appropriate coordination of voluntary and mandatory demand reduction measures pursuant to Articles 3 and 5, Member States shall cooperate with each other within each of the relevant risk groups **established in Annex I to Regulation (EU) 2017/1938**.

2. The competent authority of each Member State shall update its national emergency plan established pursuant to Article 8 of Regulation (EU) 2017/1938 by [~~31 30 September~~ **31 October** 2022] at the latest, to reflect voluntary demand reductions. Each Member State shall also update its national emergency plan, as appropriate, in **the** case of a declaration of a Union alert pursuant to Article 4. Articles 8(6) to (10) of Regulation (EU) 2017/1938 shall not apply to the updates of the national emergency plans pursuant to this paragraph.
3. Member States shall consult the Commission and the relevant risk groups before adopting the revised emergency plans. The Commission may call for meetings of the GCG and the risks groups taking into account any views expressed by the Member States in that context, to discuss issues related to national demand reduction measures.

Article 8

Monitoring and enforcement

1. The competent authority of each Member State shall monitor the implementation of the demand-reduction measures on their territory. Member States shall report on ~~the demand-reduction measures taken and~~ demand reduction achieved to the Commission every two months and not later than by the 15th of the following month. The GCG and the risk groups shall assist the Commission in the monitoring of the voluntary and mandatory demand reduction.
2. Where the Commission identifies, on the basis of the reported demand reduction figures, a risk that a Member State will not be able to fulfil the mandatory demand reduction obligation pursuant to Article 5, the Commission shall request the Member State to submit a plan setting out a strategy ~~and measures~~ to effectively reach the demand reduction obligation. The Commission shall also request a Member State requesting a solidarity measure pursuant to Article 13 of Regulation (EU) 2017/1938 to submit a plan setting out the strategy ~~and measures~~ to achieve possible further gas demand reductions, in line with Article 13(3)(b) of Regulation (EU) 2017/1938. In both cases, the Commission shall, issue an opinion with comments and suggestions on the submitted plans, of which the Member State shall take due account, and inform the Council of its opinion.
3. The Commission shall inform the European Parliament and the Council regularly about the implementation of this Regulation.

Article 8a

Review

By 1 August 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. ~~The Commission may, b~~Based on that report, ~~the Commission may in particular~~ propose to prolong ~~or shorten~~ the validity of this Regulation.

Article 9

Entry into force and application

This Regulation shall enter into force on the day following that of its publication on the Official Journal of the European Union.

It shall apply for a period of ~~two~~one years from its entry into force.

~~By 1 August 2023 at the latest, the Commission shall carry out a review of this Regulation in view of the general situation of gas supply to the Union and present a report on the main findings of that review to the Council. The Commission may, based on that report, propose to prolong or shorten the validity of this Regulation.~~

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the Council

The President