THE PRIME MINISTER

Athens, 12 September 2024

Dear President ~~von~~ der Leyen, Dear Ursula,

I am writing to you about the issue of electricity prices. In the span of a few months, wholesale electricity prices in Greece have more than doubled from 60 €/MWh in April to 130 €/MWh in August.

This increase has occurred despite our remarkable progress in accelerating the energy transition. Relative to last summer, our generation from wind and solar increased by 25%, while output from lignite fell 27%. This is exactly what we want in our electricity system. Yet prices rose to levels last seen in early 2023, when we were still coping with the aftermath of the most acute energy crisis in our history.

This disconnect between an energy transition that is highly successful, and electricity prices which jump suddenly to extreme levels requires a political response. Left unaddressed, it threatens our citizens and our competitiveness. It could undermine support for our EU Green Deal.

In large part, the increase in prices in Greece reflected regional factors. Similar increases were seen in Bulgaria, Romania, Hungary, Croatia, and other Member States. This is a regional crisis.

A number of factors explain this shock: very warm weather, exacerbated by climate change, outages of generation and cross-border capacity, and low rainfall during the winter, which left reservoirs with less water for the summer season.

H.E. Ms Ursula von der Leyen
President of the European Commission

Cc: Heads of State and Government
of the Member States of the European Union

But our region has faced an additional burden: Russia's attacks against the Ukrainian grid have turned Ukraine into a significant net importer. This deficit is being met by EU countries. This is another cost that Russia's devastating war is imposing on our economies.

At the same time, this shock has not impacted all Member States equally. The region from the Czech Republic to Greece normally has similar electricity prices. In early 2024, the average monthly price among countries in this region varied by just a few euros.

But this summer, the disparities in prices grew larger. Some hours the price varied by over 100 €/MWh among neighbors. Often, the differences were much higher. At one extreme point, the price of electricity in Hungary reached 940 €/MWh while in neighboring Austria it was 61 €/MWh – a 15-time difference for the same product at the same time across an internal EU border.

Over several weeks, these disparities add up. What used to be a difference of a few euros became a difference of almost €100 during July. In August, the gap between the most and least expensive EU member state in this region was €45. Multiplied by the amount of electricity consumed, this is an unprecedented extra cost. And it undermines the spirit and purpose of the internal market.

What is even more worrisome, the system is so complex and opaque that is virtually impossible to understand precisely what is driving prices at any given point and time. We have created an incomprehensible black box—even to experts. And we cannot explain convincingly to our citizens why the price they pay is rising so suddenly. This is politically unacceptable.

In light of these developments, we propose the following.

First, we need stronger governance. This episode underscores the need for more coordination and planning at a regional level. It is especially important to ensure that country-level decisions (e.g., a planned outage) are taken with a view towards broader regional dynamics to avoid instances where such an event causes ripple effects across a much wider space than anticipated. We need a system that allows more EU input into country decisions.

Second, we need more EU regulatory oversight. When prices in one country are shaped by events hundreds or even thousands of kilometers away, country-level regulation is of limited use. No regulator has a remit to inspect actors across such a wide geography to ensure that markets are functioning properly. This is a job that must be taken up by the EU. We need an EU-wide regulator for electricity that can look at multiple markets at once—and reassure consumers that there is no foul play.

Third, we need a special accommodation regarding Russia's targeting of Ukrainian infrastructure. Without sufficient electricity transfers within the EU, the impact of electricity exports to Ukraine is only felt only by some countries. The new Electricity Market Design offers some options to deal with a prolonged crisis that raises prices. Greece will explore these options with the aim to claw back windfall profits from producers and protect consumers during this shock.

And finally, we need a new push for electricity interconnectors. We must complete the internal market. Localized congestion can affect a broad geography, making each cross-border point a matter of general interest—a fact that should affect how we plan and promote cross-border capacity. Moreover, when price disparities between countries can reach such extreme levels, the cost-benefit proposition of interconnections is much stronger. With these points in mind, the new Commission should take up the task of pushing through more cross-border capacity.

The events of the past few months underscore something we have long known: that the energy transition is a journey. It will require constant vigilance and adjustment. I believe the ideas we have articulated here can help correct some of the weaknesses in our market – and they are aligned with the clear message of the Draghi report that we must strengthen the internal market for energy. It is imperative that we take up this challenge. The success of the EU Green Deal depends upon it.

Yours Sincerely,

K. M

Kyriakos Mitsotakis