

## **Bioenergy Europe's comment on the persisting energy prices crisis: Towards affordable, secure, and sustainable energy made in the EU**

The persisting energy prices crisis has negatively impacted EU's citizens and businesses welfare as well as the macroeconomic stability of Member States, contributing to increasing inflation rates and slowing down economic growth. Wholesale gas prices have been soaring reaching a 400% increase compared to a year ago, while wholesale electricity price is 260% higher. Volatile prices and fluctuating geopolitical externalities can worsen at any time the already delicate fossil energy dependency to third parties. The structural volatility of gas and electricity prices should be a wake-up call for the EU to acknowledge the strategic importance of renewables and the benefits of relying on local sources.

The shift towards renewable energy facilitated by the adoption and implementation of the 'Fit for 55' package will reduce the dependence on the import of fossil fuels and will lead to a more stable energy market providing businesses and customers with affordable and green solutions. The scale up of renewables accelerated by regulatory drivers will certainly deliver on medium and long-term energy security. Yet, in the short-term recurring price hikes may become a new normal. To mitigate this risk, readily available and competitive options such a modern and sustainable bioenergy should be included in the portfolio of strategic solutions. Therefore, it is crucial for the EU to take fully advantage of all its indigenous renewable resources.

### **SUPPORTING AFFORDABLE PRICES FOR HOUSEHOLDS AND INDUSTRY**

Sustainable bioenergy provides 16% of the final energy in the heating sector and 14% of the final energy for industry, being by far the largest renewable source in both sectors. The reviewed EU ETS will convey a stronger price signal to further decarbonise residential and industrial heat demands. Concerning the short-term solutions presented in the communication [Tackling rising energy prices: a toolbox for action and support](#) they should not replace the structural changes which are still necessary to decrease the possibility of the energy price volatility in the future.

While cheques, tax breaks, VAT reductions and other subsidies can provide immediate support to households and businesses, they will only clip the tip of the bill. Indeed, the rising energy costs are impacting so strongly industry and households that no state aid can stand such a significant and long-term effort. To recover from the COVID pandemic, gigantic expenses were made to sustain the economy and abyssal public debt, for that reason we cannot afford a prolonged public spending aimed at limiting energy bills.

Therefore, decarbonisation and the roll out of clean bioenergy solutions, which thanks to zero emission rating are exempted from the obligation of surrendering the EU ETS allowances, is crucial to provide affordable clean energy and guarantee competitiveness of the European industry. Such solutions are readily available and can be smoothly rolled out, while other technologies still need to be perfected and tested to deliver sufficient volumes. Similarly, households may rely on different sustainable bioenergy products like modern, low emissions local space heaters, mitigating the energy bill price thanks to wood fuels (such as wood pellets) that have proven to be available at a stable and competitive price (see Graph 1)

## ENERGY BEYOND ELECTRICITY: EU SOLUTIONS REQUIRE A MORE HOLISTIC APPROACH

Lately, in strategic EU documents on the topic of decarbonisation, the energy transition is often associated with the roll out of renewable electricity solutions (like PVs and wind turbines). Despite being a fundamental piece to achieve carbon neutrality, only considering renewable electricity will be short sighted. The energy system is much more than the electricity grid, and electrification will be one of the solutions supporting deep decarbonisation of the economy. However, increasingly electrifying the end use and transport will pose challenges on system adequacy and infrastructure capacity. In fact, adding demand on the market with heat pumps, electric mobility and hydrogen from electrolysis will add even more pressure on the market. As the most expensive producers of electricity in the merit order of the market sets a price (which currently is natural gas capacities), the welfare effect of the system relying on increasing electrification in times of price crisis might be counterproductive. For this reason, mitigating the risks with a portfolio of diverse solutions can better deliver on the objective through one single vector.

Biomass can directly alleviate the impact on the energy bill of vulnerable consumers as it replaces expensive fuels for energy production. Abundant production of renewable electricity will surely have a positive influence too, however this solution will be available in the medium and long term. Offering more electricity on the grid might indeed reduce the price, providing the offer/demand for electricity remains favourable. A biomass local space heater can heat one or two rooms in a house, allowing to turn off the main oil/gas boiler earlier in spring and to switch it on later in autumn. On top of this, during the winter season, the fossil boiler can run at lower output. Biomass can also be bought regularly in small quantities, which is not the case for oil (companies need a minimum quantity to deliver by truck). A 15 kg bag of pellets costs about 5 EUR only and helps vulnerable consumers to manage their cash flow. Such solutions are crucial to support consumers while the price of energy commodities is peaking.

## WHY BIOMASS IS A KEY PART OF THE SOLUTION – NUMERICAL COMPARISON

Recently also biomass prices are experiencing an increase, even though with a much lower percentage increase compared to other energy sources. This growth is a side effect of the gas and electricity prices, generating a higher demand for biomass. Nevertheless, biomass is not the origin of the volatility. On the contrary, without it the volatility of gas and electricity would even be higher. Biomass acts as a buffer minimizing the price spike.

Graph 1. Energy commodities prices in countries particularly dependent on import of Russian gas

