Intervention of the energy markets in Spain and Europe

Pedro Linares
Montel Iberian Energy day
November 24th 2022
Responses to the energy crisis

• Emergency vs Long-term
• Average vs Marginal costs
• And…

*In time of desolation never to make a change; but to be firm and constant in the resolutions and determination in which one was the day preceding such desolation, or in the determination in which he was in the preceding consolation*

*St. Ignatius of Loyola, Spiritual Exercises*
## Emergency Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Energy savings / Price reductions</th>
<th>Intra-European flows</th>
<th>Investment signal</th>
<th>Exchange signal</th>
<th>Efficient operation signal</th>
<th>Windfall profits</th>
<th>Legal risk</th>
<th>Admin complexity</th>
<th>Previous contracts</th>
<th>Fiscal burden</th>
<th>Regressivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap on gas prices</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cap on electricity prices</td>
<td>![x]</td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
</tr>
<tr>
<td>Cap on gas for electricity (Iberian exception)</td>
<td>![x]</td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td>![x]</td>
<td>![x]</td>
</tr>
<tr>
<td>Windfall taxes</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
</tr>
<tr>
<td>Cap on inframarginal technologies</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Removal of ETS</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Single-buyer contract</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Tax on extraordinary profits</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Reduction of VAT</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Stability options</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Regulated tariffs</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
<tr>
<td>Lump-sum transfers</td>
<td>![x]</td>
<td>![x]</td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
<td></td>
<td></td>
<td></td>
<td>![x]</td>
</tr>
</tbody>
</table>

Some may be combined: Windfall tax + Direct aid
Long-term proposals

MARKET
Additional markets
Reliability options
Stability options
Long-term contracts

Marginal costs
Vs
Average costs

IN-BETWEEN
Inframarginal auctions
Split markets
Hydro management
Great British Energy
L’Energètica

REGULATION
Competition
for the market
Cost of service

Market power
Windfall profits
Investment risk

Regulatory capture
Consumer risk
Asymmetric information
Thanks for your attention

www.comillas.edu/personal/pedrol