

## Europe prepares for a hard winter

It is no secret that Europe is heading for a severe energy crisis. Energy prices have already skyrocketed but companies and households will only be confronted with higher energy bills in the coming months. While rising bills are inevitable, the other big risk for Europe is supply disruption



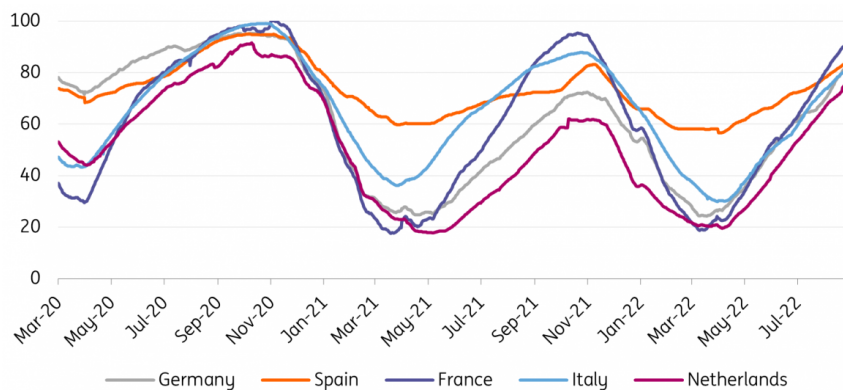
The resumption of Russian gas flows last week was only an ephemeral piece of good news

### Europe's gas storage tanks are 80% full

Amid all the doom and gloom, there is at least some positive news in that European countries have been able to fill gas storage ahead of schedule. The European Commission has asked member states to fill reserves up to at least 80% by 1 November. Most countries have already reached that level well ahead of time. Overall, Europe is currently at 80.2%, which is about two months ahead of time.

## European gas storage has been filling up

Natural gas, stock level, country total, fill level (%)



Source: Gas Infrastructure Europe (GIE), Macrobond

## Governments are stepping in

This means that the EU has chosen to pay a high price to achieve sufficient gas supply ahead of the winter. At the same time, it is no guarantee that shortages will not happen. As Europe still relies on further imports in the winter months, there is a chance that a cold winter still results in shortages. If these shortages occur, it will be at the end of the winter. However, it currently also looks as if energy supply issues could go beyond this winter into next.

While countries are filling their national gas reserves, governments are looking into ways to tackle or at least mitigate the impact of higher energy prices on consumers and corporates. Measures differ between countries, both in terms of magnitude and nature. We provide an overview of the current state of play below and expect more measures to be announced in the coming weeks.

## National policies introduced to help consumers with rising energy prices

|         | VAT/price reductions  | Price caps  | One-off payments  | Other measures  |
|---------|---|---|---|---|
| US      | /   | /   | /   | Consumer rebates/tax credits enable the installation of energy efficient heating at home (part of the Inflation Reduction Act 2022)             |
| UK      | Discount on energy bills from October   | /   | One-off payments in different amounts for those receiving means-tested benefits, for pensioners and for the disabled  | Increase and extension of Household Support Fund  |
| Germany | June to August 2022: reduction of energy tax on fuels to the European minimum & €9 ticket on public transport                 | /   | One-off payments in different amounts for employed, self-employed and business people, for adults receiving benefits from social security system and for recipients of unemployment benefits, child bonus | /   |
| France  | Discount on fuel prices   | Freezing of gas price until end-2022<br>Cap on electricity price increase | Tax free bonus for workers<br>Back to school bonus for lower-income households  | Inflation indexation of minimum wage<br>Increase of pensions, civil servant salaries & family benefits and social minima                        |
| Italy   | Reduction of general system charges (2022)<br>Reduction of VAT on nat. gas<br>Temporary reduction of VAT and excises on fuels | /   | To salary earners and pensioners with income <€35,000   | Enlargement of beneficiaries and extension until end-2022 of social bonuses meant to reduce electricity and gas expenditure for poor households |

## Western Europe

|             | VAT/price reductions  | Price caps  | One-off payments  | Other measures  |
|-------------|---|---|---|---|
| Austria     | Green electricity subsidy and green electricity flat rate set to zero<br>Compensation for rising energy costs in public transport to prevent price increases (eg.: free rides for schoolchildren) | /   | Energy cost compensation<br>One-off payments in different amounts, Cost-of-living bonus, child bonus                            | 50% increase in the commuter allowance and quadrupling of the 'commuter euro' until 30 June 2023<br>Advance increase of Family Bonus Plus<br>Inflation indexation of social benefits from 2023<br>Abolition of cold progression |
| Spain       | Many public transport services will offer free or discounted prices<br>Reduction of VAT on energy and of tax on electricity   | €40/MWh (until December, with an increase of €5 per month from January, to be in place until 31 May 2023)                 | Social Electricity voucher (includes all Minimum-Living-Income beneficiaries)   | Excess profits tax for energy companies, money to be used to help citizens pay energy bill  |
| Netherlands | Reduction of excise duty on fuel, reduction of VAT on energy and increase of the 'energy bill refund'   | /   | For lower-income households   | Subsidy for vouchers for advice and the purchase of products aimed at saving energy   |
| Belgium     | VAT reduction for electricity<br>Reduction of excise duties on diesel and petrol  | /   | Cheques in different amounts (income dependent) deducted from energy bill<br>Cheque for households heating their house with oil | Baseline of consumer protection remains the inflation indexation of wages, pensions and social benefits<br>Extension of the social energy tariff (introduced during the pandemic)   |
| Ireland     | Reduction of VAT on gas and electricity<br>Reduction of excise duty on petrol, diesel and green diesel  | /   | For Fuel Allowance recipients and electricity credit payment to all households  | /   |
| Greece      | Subsidies on the electricity bill (higher amount for households included in the Social Housing Tariff (CTO))<br>Subsidy on natural gas  | Cap on wholesale electricity prices and refund up to 60% of all surcharges paid by consumers with annual incomes of <€45k | For all low-income pensioners   | /   |
| Portugal    | /   | €40/MWh (until December with an increase of €5 per month from January in place until 31 May 2023)                         | To households benefitting from the social energy tariff   | /   |

## Eastern Europe

|                | VAT/price reductions   | Price caps  | One-off payments   | Other measures  |
|----------------|--|---|--|---|
| Hungary        | /  | On electricity and gas up to average household consumption<br>On fuel<br>For selected foods the price cannot be higher than the gross retail selling price on 15 October 2021 | /  | /   |
| Czech Republic | Energy-saving-tariff<br>Renewable energy fee exemption   | Price cap on housing (incl. energy) of 30% of income (35% of income in capital Prague)  | One-off payment of per child for families with annual income of <€40,000 crowns (c.€1,600) | /   |
| Poland         | Reduction of the VAT on fuels, heating and electricity, VAT exemption on gas, basic foods and fertilizers<br>Excise duty exemption on electricity sold to households, reductions on selected motor fuels and light fuel oil<br>Temporary exemption from retail sales tax on fuel sales | Poland's energy regulator (URE) sets tariffs for retail consumers until the end of 2027 (tariff protection)   | One-off payment based on income, type of heating and number of people in household         | Subsidies for purchase and installation of heat pumps in new homes with a higher energy standard (subsidies account for 30-45%) |
| Romania        | /  | Electricity and natural gas price caps and subsidies differentiated by beneficiaries  | For low-income seniors   | Vouchers for scholars, low-income families and seniors, higher meal tickets value   |

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### Franziska Biehl

Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an

investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).