



HELLENIC REPUBLIC
THE PRIME MINISTER

Athens, 14 January 2025

Dear President von der Leyen,

Dear Ursula.

As we begin a new year, and as the new Commission gets to work, I wanted to share some ideas on energy that I believe should be part of the “Competitiveness Compass” that will guide our strategic thinking for the next five years.

European energy prices are still too high. In the electricity market, day-ahead prices were 82 €/MWh in 2024 - a 78% increase versus 2019. In many Member States, prices have doubled since 2019. Gas prices have also risen sharply and remain much above the long-term average. These numbers are daily reminders that our energy situation remains precarious, despite the progress that we have made in deploying renewables and diversifying our gas supplies. Prices are telling us we need to move faster but also differently - to think about new ways to tackle the problems that confront us.

I see scope for a different approach in three areas: electricity, gas, and emissions.

In electricity, we need a new push on the internal market. We cannot have one country with electricity prices in triple digits while, at the same hour, another country has zero or negative prices. This is politically unacceptable and economically wasteful. It also violates the most basic rule of the internal market, which is the free flow of goods.

In the short term, I propose that we create a task force to increase flows across borders where there are significant price disparities. This task force should look at all solutions - technical, regulatory, new investments - and it should calculate the welfare losses from insufficient interconnections, making clear the benefits of integration. I suggest that this team is housed at the highest level of the College and make periodic reports to the Energy or the European Council.

***H.E. Ms Ursula Von den Leyen
President of the European Commission***

***Cc: H.E Mr. Antonio Costa
President of the European Council***

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

In the long term, we need to think differently about our grids. We made progress with the EU Action Plan for Grids. But we need more. The next step is to redesign our long-term planning process. Today, we rely too much on the interests of each country and the priorities of grid operators. We must instead think in European terms. We must catalog what resources or technologies each of us can contribute to whole, and then design a grid based on these resources. And we need a mechanism to compensate countries for making investments that deliver outsized benefits to the European grid.

The second area where we need a new push is gas security. The global market remains tight. We can do better at regulating financial markets. The volatility we observe in practice far exceeds what is justified by fundamentals. Our citizens must know that someone is watching these markets carefully.

But we also need a new approach to bring gas into Europe at a competitive price. Shifts in the geopolitical landscape make this task even more urgent. We are rightly focused on a world where gas will play a smaller role. But we will depend on gas for at least two decades.

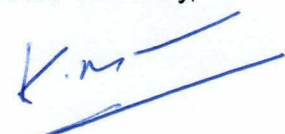
We need to empower European companies to invest in gas projects and infrastructure, and to sign contracts that guarantee European access to global supplies - with guardrails, of course, to safeguard climate neutrality. We cannot succeed in the global gas market with one hand tied behind our backs.

Finally, we must limit the costs that come from overregulation of emissions. We should move from an overly prescriptive approach to something much simpler. I call it the "one target rule." Let us agree on the top-line number for reducing emissions and then let Member States to pick their own paths.

Emissions do not care what country or sector they come from. Neither should we. We should embrace complementarity rather than uniformity across Europe, and we should be guided by the principles of ruthless technological neutrality and cost-effectiveness. This is the only way to deliver a transition at a cost that our citizens can accept and our companies can afford.

I believe these ideas can help us deliver the competitiveness agenda. I look forward to discussing these with you at the European Council.

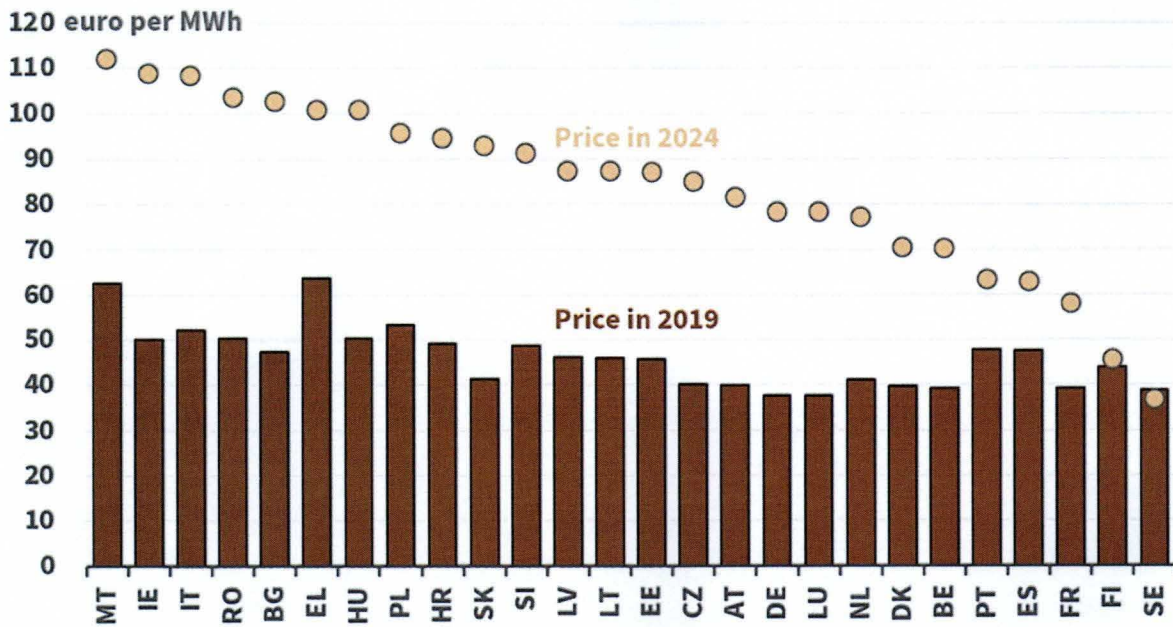
Yours Sincerely,



Kyriakos Mitsotakis

PS. The picture below illustrates the need to find a new approach better than any other I have seen.

Day-ahead wholesale electricity prices in the European Union



Based on data from ENTSOE, GME (for IT and MT), EMBER (for cross-validation). Excludes CY.