# PETER HANDLEY

## Head of the Energy-Intensive Industries and Raw Materials Unit in the European Commission's Directorate-General for Growth

**Arnaud Breuillac, Senior Advisor to the Chairman & Chief Executive Officer of TotalEnergies**

Peter, the floor is yours.

**Peter Handley**

Thank you. I will start with electricity because, let us admit it, we have a problem. We have very high energy prices in Europe at the moment. In fact, the European Council will be discussing this next week and the Commission is putting a paper on the table. It is very worrying. It is also very worrying that this was not anticipated better, so you are quite right in that respect. Gas prices have gone up threefold and the electricity system of course is based on marginal pricing of the most expensive thing in the system, which is usually fossil fuels. There have also been other factors, like Russia only fulfilling its contractual obligations, the lowering of storage capacity when normally you would be filling it up and the failure of an interconnector between the UK and the continent of Europe.

This is having real effects on households and on industry, for example large parts of the fertiliser sector are shutting production due to high gas prices. That means they are not producing ammonia, which means there could be a shortage of fertilizers for farmers next spring, but it also means that as a byproduct they are not producing industrial $CO_2$, which is necessary for the abattoirs, for the food production chain, for the transport of vaccines and so forth. There is therefore supply chain disruption going on in a really important way, and it is not unique to Europe.

It is not the fault of the $CO_2$ price. It is not the fault of market design. It is happening in China as well. Coal prices have gone up 56% this year in China and the governmental authorities have just turned off the switch to about 40% of the country's energy-intensive industry to avoid shortages. One of the industries they shut down with no notice is the magnesium industry, which means that just two days ago our European aluminum sector said, "Oh dear, we have six to eight weeks' stock of magnesium and if the Chinese do not start producing again we will have no ability to produce aluminum for the car sector". That is therefore one sector's impact on another. As I say, this will be discussed at the European Council.

I am not going to speak at length about the vision because I think everyone here knows that we have a European climate law which locks us in, legally speaking, to the targets for 2030 and 2050, and we have tabled the legislative proposals and the funding programs to accompany that. I would just like to highlight that there are some good news stories around. I

think Europe has the capacity to lead the transformation of its industrial sector, and this is one reason that the industrial policy is an integral part of the European Green Deal. Just two weeks from now, in Sweden, Volvo will roll off its production line the first vehicle made from green steel. This comes from a pilot plant using hydrogen from renewables in the north of Sweden. It is the HYBRIT project, a collaboration between LKAB, Vattenfall and SSAB, with end consumers like Volvo on board: you need a market for these clean products.

Most of the steel sector and the energy-intensives have a project pipeline ready to go. My team manages the European Clean Hydrogen Alliance, which has the task of developing a robust pipeline of hydrogen projects throughout the value chain. We have got over 1,000 projects which we are currently evaluating and will present to the Hydrogen Forum in November. We are also sitting down and talking to the European Investment Bank to see how we can finance these things, where the bank has a role to play and where European funds like InvestEU can be deployed. Thank you.