IN-DEPTH ANALYSIS

European Parliament

Economic repercussions of Russia's war on Ukraine – Weekly Digest

This paper provides a summary of recent economic, financial and budgetary decisions and developments following President Vladimir Putin's decision of 24 February to start a military attack against Ukraine. It includes recent information relating to the EU sanctions regime, recent economic estimates, and policies supporting economic and financial resilience, including the coordination of national economic and fiscal measures. It also highlights policy recommendations made in the public domain to mitigate any adverse economic, financial and social effects and to support economic ecovery in the EU and the Euro Area.

EU economic sanctions: latest developments

The special meeting of the European Council on 30-31 May 2022 drew **conclusions** on Ukraine regarding 1) **international justice**, the investigation of war crimes and related support by the European Union, 2) the **sixth package of sanctions**, the inclusion of Russian crude oil and the temporary exception for pipeline deliveries, 3) **humanitarian and financial support**, notably new macro-financial assistance of up to EUR 9 billion in 2022 and the exploration of options to use frozen Russian assets to support Ukraine's reconstruction, 4) **military support** to Ukraine under the European Peace Facility, 5) **economic support** suspending import duties on all Ukrainian exports to the European Union for one year, 6) **political support**, notably the preparation of the Commission's opinions on the application for EU membership by Ukraine, the Republic of Moldova and Georgia, and 7) the **impact of the war on neighbouring countries** and the Western Balkans, emphasising the need to provide support to the Republic of Moldova.

As regards the **sixth package of sanctions against Russia**: *The European Council agreed that it will cover crude oil, as well as petroleum products, delivered from Russia into Member States, with a temporary exception for crude oil delivered by pipeline. The European Council therefore urges the Council to finalise and adopt it without delay, ensuring a well-functioning EU Single Market, fair competition, solidarity among Member States and a level playing field also with regard to the phasing out of our dependency on Russian fossil fuels. In case of sudden interruptions of supply, emergency measures will be introduced to ensure security of supply. In this respect, the Commission will monitor and report regularly to the Council on the implementation of these measures to ensure a level playing field in the EU Single Market and security of supply. The European Council will revert to the issue of the temporary exception for crude oil delivered by pipeline as soon as possible.*

Nearly all other parts of the sixth package as announced by the Commission on 4 May 2022 were agreed by the Council on 3 June covering the following measures: 1) Oil import restrictions; 2) Oil transport services; 3) Financial and business services measures; 4) Broadcasting suspension; and 5) Export restrictions. The Commission and the High Representative stated in this context that they stand

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ready to put forward additional sanctions in response to the evolution of Russia's aggression against Ukraine and that Member States are responsible for the implementation of sanctions.

The details of the sanctions package will be made public and the sanctions will enter into force once approved by the Council and published in the Official Journal of the EU.

In view of strengthening the implementation of the EU sanctions, the Commission proposed on 25 May a **Council Decision and a Directive, to criminalise the attempt to circumvent EU sanctions.** The Council Decision should make it possible, as a first step, to include the violation of sanctions in the list of European criminal offences ("Euro-crimes"), as described in Article 83 TFEU. This list includes ten types of offences such as terrorism, trafficking in human beings, illicit drug trafficking, etc. Only twelve Member States currently consider the violation of EU sanctions as a criminal offence, and this fragmentation leads to a weakening of the implementation of sanctions.

Once the decision has been adopted by the Council, the Commission will have a legal basis to propose a Directive that will **establish standards for minima penalties in case of violation of European sanctions**. It, in turn, aims to improve and facilitate the confiscation of assets and property of oligarchs or criminal groups, by harmonising the practices of Member States, with countries such as Italy being considered more advanced due to the presence of mafias. The directive goes beyond Russian oligarchs and extends to all criminal groups. Moreover, on the scope, migrant smuggling, environmental crimes or trafficking in arms, counterfeit goods or cultural goods are now also covered. A similar directive of 2014 only covered terrorist crimes or income related to human trafficking.

On 31 May, the European Council welcomed the efforts made by Member States to provide in their national law for appropriate confiscation measures and called on the Council to swiftly examine the recent Commission proposal on criminal law measures in case of violation of EU sanctions. The European Council supported further options in line with EU and international law being actively explored, including options aimed at using frozen Russian assets to support Ukraine's reconstruction.

Latest EU polices to improve economic and financial resilience

REPowerEU and amendments to the RRF Regulation

On 18 May, the European Commission presented its **REPowerEU plan aimed at moving the European Union away from dependence on Russian fossil fuels by 2027 while maintaining the EU's energy security and pursuing the objectives of the 'European Green Deal'**.

It includes in particular a **Communication to promote energy savings**, a **European strategy for solar energy** and a series of initiatives and recommendations on energy efficiency, renewable energy, renewable hydrogen and biomethane. The Commission also proposes to replace some of Russia's fossil gas by diversifying the EU's gas and liquefied natural gas supplies, requiring some investments in gas infrastructure.

Taking note of the REPowerEU plan to move the Union away from dependence on Russian fossil fuels by 2027, the EU-27 at the **European Council meeting of 30-31 May** **invited the Council to examine rapidly the Commission's proposals included in this plan, "*including their financing*"**. The conclusions also called for (i) further diversify sources and routes of affordable energy supply; (ii) accelerate the deployment of renewable energy; (iii) improve energy efficiency and promote energy saving; (iv) complete and improve the interconnection of the European gas and electricity networks.

Box: Immediate energy saving measures

According to the Commission communication, the immediate choices to save energy should primarily focus on where the greatest savings in gas and oil consumption can be achieved. Natural gas plays the largest role in heating, accounting for around 42% of energy used for space heating in the residential and household sectors. Oil is the next most important fossil fuel for heating, accounting for 14%, while coal accounts for around 3%. Fossil fuels use in transport represent 288 million tonnes of oil equivalent per year, or 93% of the transport sector energy needs. Air transport and shipping are almost entirely dependent on fossil fuels, while fossil fuels provide 93% of the energy use in road transport and 23% of the energy use in rail. Around 25% of passenger car activity takes place in the urban mobility environment.

The types of support actions that can be taken can therefore be divided into:

- **Information actions** – to ensure the different types of energy users understand the importance of reducing energy demand and know what they can do to contribute.
- **Incitement and supporting actions** – to help energy users in their efforts to reduce energy consumption, for example by offering rebates on the purchase of the most efficient appliances.

In order to take into account the implementation of REPowerEU, the Commission has published on 18 May a proposal for a **Regulation amending the Recovery and Resilience Facility Regulation.** Member States will be required to submit amendments to their already approved national recovery and resilience plans to **include a specific chapter on investments and reforms to implement the REPowerEU strategy and indicate in their revised plans the EU funding needed to implement them**.

Targeted changes to the national recovery and resilience plans are expected, potentially including changes related to the readjustment of the grant envelope for each Member State (30% of the total) are expected at the end of June. Among the measures expected to take into account the implementation of 'REPowerEU' are the realisation of energy infrastructure, the decarbonisation of industry, the increase of energy efficiency in buildings and the retraining of workers. The proposed amendments to the Regulation also intorduce an exception to the application of the *'do no significant harm'* environmental principle for investments to improve oil and gas installations for immediate security of supply.

The 'REPowerEU' chapters added to the national recovery and resilience plans will include measures that will not be financed solely through Next Generation EU. Indeed, in order to finance the 'REPowerEU' strategy, the Commission suggests mobilising a budget of almost 300 billion euros by 2030, including more

than 72 billion euros (20 billion from the ETS, up to 44.8 billion from cohesion policy, up to 7.5 billion from the CAP) in grants and 225 billion euros from outstanding loans under the RRF.

This envelope is not in itself 'new' EU money, but a redirection of funds from various financial instruments already provided for under the 2021-2027 Multiannual Financial Framework (MFF).

Once the legislative proposal amending the RRF regulation is adopted, Member States will have 30 days to indicate whether they wish to call on some or all of the loans to which they are entitled under the RRF (up to 6.8% of national GNI). Loans not used by one Member State can be reallocated to other Member States.

The implementation of the REPowerEU plan is also reflected in the latest Commission Communication on the 2022 European Semester - Spring Package: "*The European Semester and the RRF provide robust frameworks to ensure effective policy coordination and to address the current challenges. [...] The country-specific recommendations adopted in the context of the European Semester provide guidance to Member States to respond adequately to persisting and new challenges and deliver on their shared key policy objectives. This year they also include guidance for new dedicated REPowerEU chapters in the recovery and resilience plans (RRPs), to reduce the dependency on fossil fuels through reforms and investments in line with the REPowerEU priorities.*" **Against this background, the 2022 Country-Specific Recommendations (CSRs) proposed by the Commission also include one recommendation specifically devoted to the implementation at Member State level of the REPowerEU plan**

See the Annex for the Commission assessments of the Members States reliance on energy imports from Russia and its related Country Specific Recommendations to reduce this dependency.

Maintenance until the end of 2023 of the general escape clause of the SGP

Faced with the economic uncertainty for the European Union caused by the Russian invasion of Ukraine, the European Commission recommended on Monday 23 May, in the context of the publication of its European Semester Spring 2022 package, the maintenance of the general escape clause of the Stability and Growth Pact until the end of 2023; the general escape clause has been in place since spring of 2020, i.e. the time of the outbreak of the Covid-19 epidemic.

Flexibility in the application of EU state aid rules

On 23 March 2022, the **European Commission adopted a Temporary Crisis Framework (TCF) allowing Member States to use the flexibility in current State aid rules to limit the negative economic impacts of Russia's invasion of Ukraine**. The framework allows Member States to (i) grant limited amounts of aid to companies affected by the Ukrainian situation or by the related sanctions and countersanctions[1]; (ii) ensure that sufficient liquidity remains available to businesses[2]; and (iii) compensate companies for the additional costs incurred due to exceptionally high gas and electricity prices[3]. These measures will be

[1] Limited amounts are of up to €35,000 for companies active in the agriculture, fisheries and aquaculture sectors and up to €400,000 per company affected by the crisis active in all other sectors. Aid does not need to be linked to an increase in energy prices; support can be granted in any form, including direct grants.

[2] Member States will be able to provide (i) subsidised State guarantees to ensure banks keep providing loans to all companies affected by the current crisis; and (ii) public and private loans with subsidised interest rates.

[3] According to the Commission press release, "*Member States will be able to partially compensate companies, in particular intensive energy users, for additional costs due to exceptional gas and electricity price increases. This support can be granted in any form, including direct grants. The overall aid per beneficiary cannot exceed 30% of the eligible costs, up to a maximum of €2 million at any given point in time. When the company incurs operating losses, further aid may be necessary to ensure the continuation of an economic activity. To that end, Member States may grant aid exceeding these ceilings, up to €25 million for energy-intensive users, and*

available also to companies in difficulty; it will remain in place until 31 December 2022 and will be kept under review to better adjust to evolving circumstances. Sanctioned Russian-controlled entities will be excluded from the scope of these measures. State aid under the TCF needs to be approved by the Commission, as any other state aid.

By 20 May, the Commission adopted 15 decisions under this framework (see table 1 below). The largest amount of aid is provided by France under a scheme enabling up to EUR 155 billion in liquidity support for companies, using part of the EUR 300 billion budget it had initially allocated under three schemes to support the economy during the pandemic (approved on 21 March 2021 (SA.56709). The second largest scheme to support companies, provided by Germany, is in direct comparison way smaller (providing up to EUR 20 billion), but on the other hand it comes in various forms, including direct grants.

Table 1: State aid approved under the Ukraine Temporary Crisis Framework

MS	Objective of the aid	Type of aid	Amount (EUR)
Finland	Support the agricultural sector	Tax advantages	16 million
France	Support agriculture and fisheries	Direct grants	400 million
France	Liquidity scheme to support companies (State guarantee)	State guarantee	155.000 million
Germany	Liquidity scheme to support companies (umbrella scheme)	(i) Guarantees on loans ('guarantee scheme'); and (ii) subsidised loans ('subsidised loan scheme')	11.000 million
Germany	Support companies	(i) Direct grants; (ii) tax or payment advantages; (iii) repayable advances; (iv) guarantees; (v) loans; (vi) equity; and (vii) hybrid financing	20.000 million
Ireland	Support the road haulage sector	Direct grants	18 million
Italy	Support the agricultural, forestry, fisheries and aquaculture sectors in Friuli Venezia Giulia	Direct grants and loans	50 million
Italy	Support the agricultural, forestry, fishery and aquaculture sectors (umbrella scheme)	(i) Direct grants; (ii) tax or payment advantages; (iii) repayable advances; and (iv) reduction or exemption from the payment of social security and welfare contributions	1.200 million
Luxembourg	Support companies across sectors	State guarantees on loans to companies	500 million
Malta	Support the importation, manufacturing and wholesale of grains	Subsidised loans	30 million
Poland	Support the agricultural sector	Direct grants	836 million
Spain	Support to gas intensive sectors	Direct grants	125 million
Spain	Support private road transport companies	Direct grants	450 million
Spain	Support fishing vessels companies	Direct grants	180 million
Spain	Support milk producers	Direct grants	168 million

up to €50 million for companies active in specific sectors, such as production of aluminum and other metals, glass fibers, pulp, fertilizer or hydrogen and many basic chemicals".

EU defence investments

On 18 May, the European Commission and the EU High Representative for Foreign Affairs and Security Policy proposed in a joint communication an analysis of the defence investment gaps and the way forward to support Member States to carry out joint public procurement for defence. The main measures proposed are to develop an "*EU defence strategic programming, procurement and coordination capability, in complementarity with NATO*".

According to the joint communication, they agreed to:

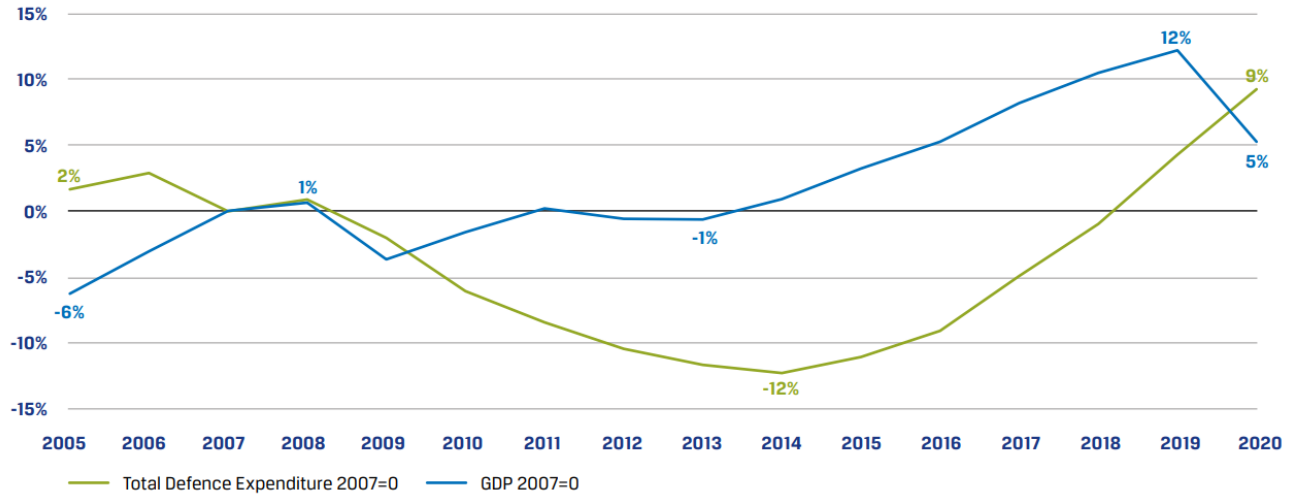
- increase defence expenditures;
- step up cooperation through joint projects;
- close shortfalls and meet capability objectives;
- boost innovation including through civil/military synergies; and
- strengthen and develop the EU's defence industry, including SMEs.

The joint communication points out that in 2022, most Member States announced substantial increases of their defence budgets, to somewhat make up for a previous underinvestment and prolonged period of substantial cuts in defence spending after the economic and financial crisis 2007-08. It also highlights that other countries have increased their defence budgets in the past at a much higher rate than Europe (from 1999 to 2021, EU combined defence spending increased by approximately 20% against 66% for the US, 292% for Russia and 592% for China; however, the joint communication only refers to relative changes in defence spending but does not set out to what extent the starting points differ.

Data from the European Defence Agency (EDA) illustrates a collective underinvestment in defence over the last years, during which the level of spending has never reached the EU26 target of 2% of GDP. Figure 1 shows the aggregate defence expenditure between 2005 and 2020. While during the financial crisis 2007/2008 military expenditure decreased almost in parallel to the declining GDP and continued to decline up to 2014, the Russian invasion of Crimea and Donbas reversed that trend and resulted in higher spending in the period 2015-2020, exceeded the GDP growth rate from 2017 onwards. Figure 2 illustrates that in 2020, only few EU Member States spent more than 2% of their GDP on defence expenditures.

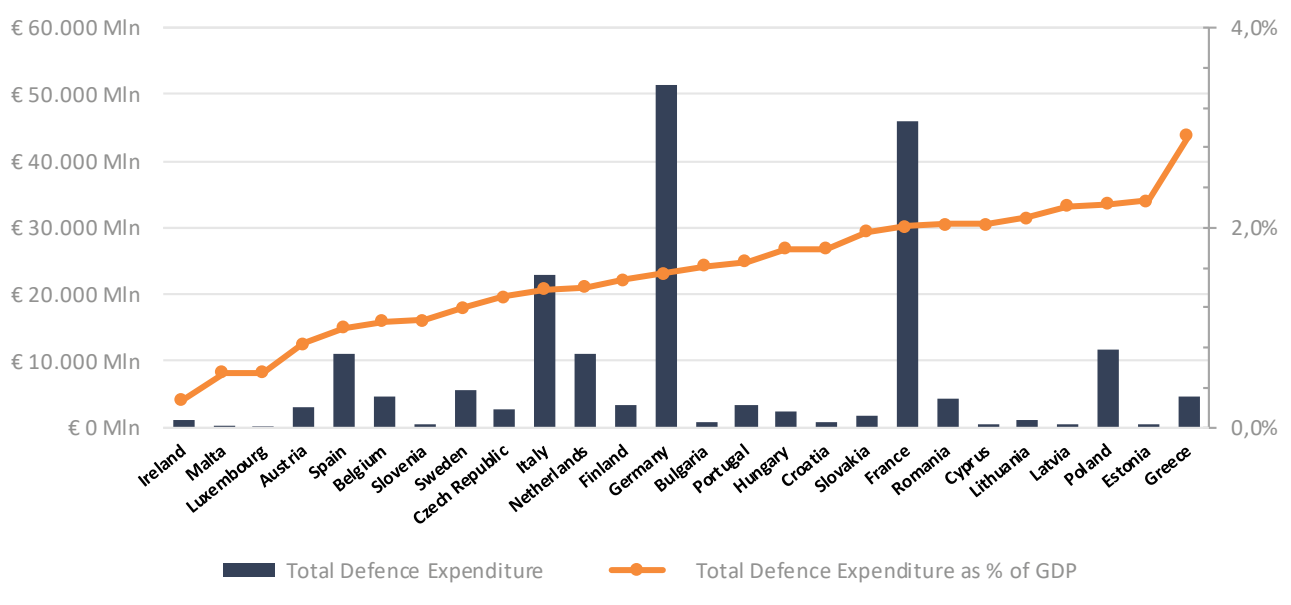
The EDA data furthermore shows that defence investments – i.e. the portion of the defence budget spent on equipment and Research & Development – saw a particular strong decline in 2010, exceeding the general downward trend of the defence budget; it took approximately 8 years until Members States spent again the same amount on equipment and Research & Development as in 2010.

Figure 1: Evolution of total defence and expenditure taking 2007 as a reference year



Source: European Defence Agency

Figure 2: Total defence expenditure in EDA's 26 Member States in 2020



Source: European Defence Agency

The EU Summit conclusions of 30-31 May took the communication into account and stated that the EU will develop its defence capabilities and *"will resolutely implement the 'Strategic Compass', reinforce its partnerships, improve its resilience and increase its security and defence capacity through more and better investments by focusing on identified strategic shortfalls"*.

The Strategic Compass for the EU takes into account the new security threats and provides an ambitious plan of action for strengthening the EU's security and defence policy by 2030.

Financial support to Ukraine - latest developments

The Commission proposed in a Communication published on 18 May to provide additional macro-financial assistance to Ukraine in 2022 in the form of loans of up to EUR 9 billion to support the Ukrainian government. The financing of this assistance should take the form of the provision of guarantees

by Member States, combined with grant aid from the EU budget to subsidise the related interest payments. This would be in addition to the EUR 1.2 billion macro-financial assistance provided to Ukraine since 2014, of which the Commission has announced that it has disbursed the second tranche of EUR 600 million to the Ukrainian authorities.

In addition, the G7 Finance Ministers pledged on 20 May to mobilise a total of USD 19.8 billion in direct budget support to Ukraine to help it meet its financial commitments in 2022. The IMF estimates Ukraine's budgetary needs at around USD 5 billion per month.

In the above-mentioned Communication, the Commission also proposes the **creation of an international reconstruction platform** coordinating sources of funding and their destination in order to optimise their use and monitor progress in the implementation of a reconstruction plan for Ukraine. This platform could be responsible for approving this reconstruction plan, developed and implemented by Ukraine, with the support of EU administrative capacity and technical assistance. The focus of the plan would include rule of law reforms, the fight against corruption, administrative capacity and the independence of the judiciary. The EU's contribution to this plan would be through the creation of a facility called 'RebuildUkraine', which would be integrated into the EU budget.

The 'RebuildUkraine' Facility would be the main legal instrument for the EU's support, through a mix of grants and loans, to the 'RebuildUkraine' reconstruction plan. According to the Commission it would build on the experience with financing investments and reforms under the Recovery and Resilience Facility inside the EU, adapted to the unprecedented challenges of reconstructing Ukraine and accompanying it on its European path.

The Commission's communication does not, however, give any clear indication of the funding of this facility. However, it is clear that the unforeseen needs created by the war far exceed the means available in the current multi-annual financial framework. "*Therefore, new financing sources will have to be identified*", the Communication adds. Thus, the **additional grants** to be made available to Ukraine could be financed either by additional contributions from Member States to the Facility and to existing EU programmes, or by a targeted revision of the multi-annual financial framework, as well as the options of **raising the funds for the loans** on behalf of the EU or with Member States' national guarantees.

Box: Previous EGOV weekly Digest:

- Economic repercussions of Russia's war on Ukraine – Weekly Digest - 17 May 2022
- Economic repercussions of Russia's war on Ukraine – Weekly Digest - 29 April 2022
- Economic repercussions of Russia's war on Ukraine – Weekly Digest - 8 April 2022
- Economic repercussions of Russia's war on Ukraine – Weekly Digest - 25 March 2022
- Economic repercussions of Russia's war on Ukraine – Weekly Digest - 18 March 2022
- EU economic and financial developments: Weekly Picks - 11 March 2022

Policy recommendations in the public domain: Some recent picks

B. McWilliams, S. Tagliapietra and G. Zachmann: Europe's Russian oil embargo: significant but not yet (1 June 2022)

The largest concern is that the delayed activation of the embargo might make Russia even better off in the near term. The embargo will affect crude oil after only 6 months, and oil products after 8 months. Exemptions for some EU countries might extend even longer. The risk therefore is that an EU embargo will tighten global oil markets, pushing prices higher and increasing revenue flows to Russia for several months. The agreement may also shore up trade in Russian oil for the rest of the year, in contrast to the current situation in which uncertainty has seen Russian oil being traded at discounts to global prices. Therefore, while the measures will be a significant blow to Russia, this will be only in 2023 and beyond.

The EU should now stand ready for retaliatory actions by Russia. Strong coordination is needed at EU level to prepare for a potential interruption of all Russian gas supplies to Europe. EU countries need to empower the newly established EU Energy Platform so it can procure gas for storage refilling ahead of next winter and coordinate emergency gas dispatch across the EU. This is essential to ensure energy system resilience and political solidarity. Coping without Russian gas depends fundamentally on cooperation between individual countries and the continued free trade of energy across borders.

Jacob F.Kirkegaard: Will the Russia-Ukraine war speed European fiscal integration? (30 May 2022)

The war in Ukraine has already done what would have seemed impossible before. It has forged a link between the fiscal hawks in Northern and Eastern Europe and more ambitious leaders like Emmanuel Macron. Reconstructing Ukraine will cost hundreds of billions of euros over at least a decade—once hostilities end. The European Commission stated in its recent proposal for a new Rebuild Ukraine Facility (RUF) that "these unforeseen needs created by the war in Europe are well beyond the means available in the current multiannual financial framework. Therefore, new financing sources will have to be identified." Traditional fiscal conservatives in Germany are likely to argue that Ukraine's reconstruction costs can be met by EU member states' bilateral contributions rather than the EU itself. The hawks fear the precedent-setting effect common EU debt issuance for Ukraine would have on the long-term fiscal integration of the EU. However, common EU financing for Ukraine's reconstruction, however, would mean the EU is adopting an "event-driven" common fiscal capacity approximating US fiscal tradition. If the EU adopted such an instrument, countries with the highest debt levels would acquire the biggest financial market benefits in the form of lower interest rates from investors factoring in a permanently higher probability of common EU funding in severe future crises. Moreover, speaking to the European Parliament, Macron called for revisions of the EU Treaty and for EU institutions to embrace "full employment, growth, carbon neutrality and social justice as our institutions' core objectives." The latter implies fiscal expansion and is, therefore directly linked to a commonly funded RUF. Ukraine in short holds the key to a grand EU bargain on the most pressing reform issues - fiscal integration, (simplified) treaty revision, and expansion.

J.Pisani-Ferry: The Eurozone's Unusual Policy Playbook (30 May 2022)

The economic situation in Europe is truly disconcerting. Governments and central bankers have been caught off guard by the sudden transition from a deflationary to an inflationary environment. There are three reasons for this confusion. The first is that we have suddenly entered a new world. For at least the past 15 years because competition from low-wage labor acted as a powerful brake on price increases, inflation was subdued. Also, since the world's marginal energy producer was no longer OPEC, but rather the United States (thanks to the shale-energy revolution), oil and gas prices were low, and supply seemed elastic. And because the commodity-price boom had ended with the global financial crisis, there was no inflationary pressure from that quarter, either. All of that ended at about the same time. US trade protection and Chinese development have weakened the deflationary effect of globalization. A commitment to greening the energy system has lowered fossil-fuel

investment, but without commensurate offsetting investment in renewables. Finally, the war in Ukraine has triggered a further increase in energy costs and a sudden surge in food prices. The second reason for Europe's policy confusion is that the energy-price shock exacerbates economic differences within the Eurozone. This divergence calls for relying on tax and subsidy measures that help tame inflation differentials and avoid the buildup of inflation expectations. The third reason why European policymakers are disoriented, is specific to the war: Russia's energy exports account for a large share of its revenues. All of this suggests a radical departure from the standard policy prescription. Fiscal policy should help mitigate the de-anchoring of inflation expectations, relative fiscal efforts should be a function of relative inflation, and government support schemes should be designed in such a way that they avoid subsidizing Russia's war. Since 2008, the Eurozone has faced a financial crisis, a sovereign-debt crisis, and a public-health crisis. Now, with energy prices surging, it should brace for another trial: an adverse and deeply asymmetric supply shock.

O. Blinov, S.Djankov: **Ukraine's recovery challenge** (31 May 2022)

The economic damage in Ukraine in the wake of Russia's invasion is on a scale not seen in Europe since WWII. According to the baseline scenario compiled by a consensus forecast as of May 2022, Ukraine's real GDP is expected to fall 36.5% in 2022. On the external side, Ukraine's GDP is projected to face a strong 50% plunge in exports, mostly because of seaports being shut down by Russia's naval blockade. The most worrying feature of the consensus forecast is that economists do not expect a fast recovery, as it took place in preceding wars. Ukraine's real GDP growth should average 7.5% during 2023 to 2026, meaning that the economy remains 15% below its pre-war level five years after the Russian invasion. Moreover, estimates for losses of physical capital have already came close to $100 billion, or half of Ukraine's pre-war GDP. To make matters worse, prior to the war, Ukraine had already been a country with worrying demographic trends: aging population and dramatically falling birth rate. The recovery in human and physical capital lost in the war requires nearly $200 billion, assuming that the war ends now and that no further damage to infrastructure takes place. The EU accession process would play a central role in the recovery. A possible recovery programme can be structured in two phases: rapid restoration of critical infrastructure and services to revive the basic functions of the economy and the government; and re-establishing the foundations for sustained growth. Should the war continue in the coming months, the cost of reconstruction would jump tremendously, as a third of the Ukrainian population spends more time away from their homes, children fall behind in their learning, and businesses cease to operate.

H. James: **What If Ukraine Is a Forever Crisis?** (31 May 2022)

Russia's attack on Ukraine is coming to resemble many previous geopolitical crises. Throughout history, episodes that initially seemed like temporary disruptions have become prolonged affairs. Crises like the one in Ukraine tend to follow a familiar script of escalation and politicization. As the conflict stretches on, the participants become more invested in it, not just financially but also spiritually. The sacrifices made for the cause transform the conflict into something sacred – or at least sacralized. Once this pattern takes hold, it becomes increasingly difficult to see how the conflict could end without a complete collapse of one side. It is reasonable to assume that Putin's strategy is to hold on until Europe and the United States have lost the capacity or the will to continue supporting Ukraine and punishing Russia. Moreover, Putin may also be calculating that the global food crisis brought on by the war will trigger political unrest in vulnerable food-importing regions like the Middle East, thereby driving a new wave of refugees toward Europe. Furthermore, democracies have regular elections, so it may be only a matter of time before key countries' policies change. To sum up, it seems that winning the war is the only way to recover meaning. But this time, victory must lead to fundamental changes in the international political order.

S. Johnson: **Europe Can Stop Russia's Agression Now** **(31 May 2022)**

Russia's aggression against Ukraine could still be stopped without damaging the world economy. In addition to the oil embargo recently announed by the European Union, a high tariff designed to slash the revenue Russia receives from its oil exports is identified as the most effective based on the economic policy debate. Even though

the oil embargo announced by the EU is likely to damage Russian revenues once it is fully in place, oil prices are expected to remain elevated for now, and Russia will continue to sell the about the same amount, resulting in higher revenues to fund Putin's war. This leads to continued Russian bruatlity in Ukraine. Although Russia is an important producer of oil, it does not set prices – these are determined by the balance of expected global demand and supply. Second, the cost of producing oil from existing Russian wells is low – less than $10 per barrel. Therefore, the smartest policy for the EU and its allies would be to form a buyers' cartel that agrees to impose a very high tariff on Russian oil. No one in these countries will choose Russian oil unless the price is massively reduced. Russia will therefore try to sell more of its output to Asia, particularly China and India, whose bargaining power will increase vis-à-vis Russia, implying a bigger discount for them on purchases of Urals crude. However, he cost of transporting oil from Russia to Asia is high. And if the EU imposes restrictions on the use of its shipping, insurance, and finance for trade to any country that refuses to impose a tariff on Russian oil, the costs will rise even more. The EU and the US should also impose a matching tariff on any purchase of refined oil products made from Russian exports, regardless of where the processing takes place. The goal of reducing Russian revenue can be achieved without reducing the flow of Russian oil into world markets if Western countries form an effective buyers' cartel.

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Annex: Commission assessments of the Members States reliance on energy imports from Russia and its related Country Specific Recommendations to reduce this dependency

Country	Commission assessment as part of 2022 Country Report	Draft 2022 CSR on energy policy (to be adopted by Council in July 2022)
Belgium	**Whilst Belgium's overall dependency on fossil fuels imports is high, dependency on Russian gas is limited but above the EU average for crude oil.** Around 70% of Belgium's gross inland energy consumption is covered by imported fossil fuels. Compared to some other Member States, Belgium's sources of energy imports are rather diverse and the country is well interconnected with neighbouring countries. The liquefied natural gas (LNG) terminal and capacity at Zeebrugge contributes to the EU's diversification of gas routes and security of supply. Plans are also advanced to further extend connections to the North Sea grid, increasing Belgium's access to offshore wind power. The share of Russian gas in imports in 2020 was 7% (EU27 average 44%), with natural gas making up 30% of gross inland consumption in Belgium. However, reliance on natural gas in the Belgian energy mix is expected to increase by 2030 following the planned partial nuclear phase out by 2025 (nuclear energy made up 16.4% in the energy mix in 2020) and the building of additional gas plants (13). To decrease natural gas dependency, Belgium could step up efforts to boost renewable energy and renewable hydrogen, accelerating energy-efficiency improvements and fuel switching in buildings. The share of Russian crude oil in imports in 2020 was 30% (EU27 average 26%), with oil making up 39% of the Belgian energy mix. With coal taking up less than 5% in the energy mix, the importance of coal in imports from Russia is not very high for Belgium (39% versus EU27 average of 54%) (14). Dependency on Russian oil in 2020 was thus higher than for natural gas. Transport accounts for a significant share of oil consumption in Belgium (39% in 2020). --- (13) Belgian government declaration of 18 March 2022. The declaration proposes taking the necessary steps to continue the exploitation of two of the nuclear power plants until 2035 and to maintain the building of additional gas plants next to an increase in renewable deployment. (14) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU27 average, the total imports are based on extraEU27 imports. For Belgium, total imports include intraEU trade. Crude oil does not include refined oil products.	4. Reduce overall reliance on fossil fuels by stepping up energy efficiency improvements and the reduction of fossil fuel use in buildings, promoting the use and supply of public transport and accelerating the deployment of renewable energies and related grid infrastructure by further streamlining the permitting procedures including by reducing the length of appeal procedures and adopting framework conditions to boost investments in solar energy installations.

Germany	**Stepping up climate measures would reduce Germany's dependency on fossil fuels imports.** Oil and gas are the largest sources of energy in Germany with a strong import dependency (89.1% for natural gas and 96.4% for oil and petroleum products in 2020). With a share of 35% of the energy mix (gross inland consumption) oil is the largest source of energy in Germany, with 34% of its imports coming from Russia (compared to an average of 26% for the EU in 2020). Natural gas is the second largest source. The dependency on gas imports from Russia is particularly strong with a share of 65% of gas imports compared with an EU average of 44% in 2020 (12). In the short term, reducing energy consumption and diversifying energy supplies and routes, including through accelerated renewables deployment and the use of liquefied natural gas could be considered. Decarbonisation of sectors, including in the industry, should be accelerated, in particular for those relying substantially on gas. In that context, it is important to promote co-benefits of addressing security supply and climate mitigation. Removing bottlenecks and accelerating investments in renewable electricity and electricity networks are crucial to both overcome dependence on fossil fuels imports from Russia and to meet climate targets. This is important also in view of rising energy prices as the increased deployment of renewables and the increase in energy efficiency are expected to lower energy prices and help mitigate the currently very pronounced price volatility of fossil fuels. Energy poverty in Germany stands at 9%, above the EU average (8.2%), and affects lowincome groups in particular (...). The development of the renewable hydrogen market and the shift to renewable hydrogen could be accelerated. Investments should be future-proof where possible and avoid lock-in effects in view of Germany's objective of climate neutrality by 2045. --- (12) : Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU27 average, the total imports are based on extraEU27 imports. For Germany, total imports include intraEU trade. Crude oil does not include refined oil products. According to recent data published by the German Ministry of Economic Affaires and Climate Action in their Second progress report on energy security from 1 May 2022, the share of Russian gas imports has declined to 35%, from about 55% on average in previous years.	4. Reduce overall reliance on fossil fuels and diversify their imports by improving energy efficiency, incentivising energy savings, diversifying energy supplies and routes, removing investment bottlenecks, further streamlining permitting procedures, boosting investment in and accelerating the deployment of electricity networks and renewable energy, and further advancing participation in energy-related cross-border cooperation.
Estonia	**Estonia's energy mix in 2020 was made up of 32% renewable sources and 68% fossil ones (domestic consumption of local oil shale 32%, fossil fuels in transportation 16% and other fossil sources 19%, including 8% of gas).** An increase in the renewable share is envisaged, thanks mainly to more wind power, a greater use of biomass, and an associated decrease in the	4. Reduce overall reliance on fossil fuels and diversify imports of fossil fuels by accelerating the deployment of renewables, including through further streamlining of permitting procedures, ensuring sufficient capacity of

	share of fossil fuels. Although gas accounts for just 8% of the energy mix, it is supplied mostly by Russia (9). However, reducing Estonia's dependence on Russian gas is already well advanced and will speed up as a result of the implementation of the EU unbundling rules and pipeline and infrastructure projects underway with neighbouring countries. Investments should be future-proof where possible to avoid lock-in effects. --- (9) Eurostat (2020), share of Russian imports over total imports of natural gas, including intra-EU trade. While Eurostat 2020 data report a 46% import gas dependency on Russia for Estonia, accounting for the secondary dependence on Russian gas through intra-EU imports would lead to the estimation that Estonia has a 98% Russian import dependency on gas.	interconnections and strengthening the domestic electricity grid. Increase energy efficiency, including of buildings, to reduce energy consumption. Intensify efforts to improve the sustainability of the transport system, including through electrification of the rail network and by increasing incentives to encourage sustainable and less polluting transport, including the renewal of the road vehicle stock.
Ireland	**While Ireland has no exposure to Russian crude oil and gas imports, it depends significantly on these energy sources for its energy supply.** In 2020, oil and gas covered almost 80% of Ireland's energy consumption, of which 45% for oil and 33% for gas. Less than a third of gas consumed was produced by Ireland, due to the depletion of the Corrib gas field. All gas imports come from the United Kingdom. A double gas pipeline between Scotland and Ireland entered into service in 2002, while another gas pipeline connecting Ireland to Northern Ireland entered into service in 2007. In January 2021, the government indicated that the project for Port of Cork's liquefied natural gas (LNG) terminal would not go ahead. After several challenges by local and environmental groups, the Shannon LNG terminal had its planning approval rejected by the High Court in 2020, but announced in August 2021 that it would submit a new application. In April 2022, Ireland published the National Energy Security Framework. It aims at ensuring security of supply in the near term, reducing the country's dependency on imported fossil fuels and compensating households and businesses exposed to higher energy costs.	4. Reduce overall reliance on fossil fuels. Accelerate the deployment of renewable energy, in particular offshore wind, including by introducing reforms to improve the efficiency of the planning and permit system, particularly by reducing the duration of procedures. Upgrade energy infrastructure, including for storage. Ensure the fast implementation of deep building retrofits. Accelerate the electrification of transport, including by installing charging facilities.
Greece	**Greece is moderately reliant on imports of energy from Russia.** In 2020 (24), natural gas accounted for 24% of Greece's energy mix, of which 39% was imported from Russia, and crude oil accounted for 50% of its energy mix, of which 18%, excluding refined oil products (25), was imported from Russia. A considerable share of oil imports serves as an input to Greece's large refining industry, which is then re-exported in the form of finished petroleum products. ---	4. Reduce overall reliance on fossil fuels, and diversify imports of fossil fuels by accelerating deployment of renewable energy and the development of infrastructure that would enable renewable hydrogen. Also address dependency through ensuring sufficient capacity of electricity networks and interconnections as well as gas interconnections and diversifying gas supply routes. Strengthen the energy services market

	(24) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For Greece, total imports include intra-EU trade. Crude oil does not include refined oil products. (25) An important share of Greece's total oil imports is refinery feedstock. Greece is highly dependent on Russian imports for these, with 86% of total refinery feedstock imports coming from Russia	framework and step up energy efficiency-enhancing measures through reforms and market incentives to support the decarbonisation of the building sector and the transport sector, particularly by promoting electric mobility
Spain	**Despite the low dependence on Russian fossil fuels, energy prices have substantially surged since summer 2021, underlining the need to accelerate the green transition.** Russia is the fourth supplier of natural gas to Spain (via liquefied natural gas (LNG)), but Russian imports only represented 10% of the total imports in 2020 (well below the EU average of 44%). Spain's dependence on Russian oil (2%) is also well below the EU average (26%), and relatively small (3). Nonetheless, the current energy market tension resulting from Russia's invasion of Ukraine has led to a large increase in the energy prices, faced by Spanish businesses and consumers. This has added to the energy price increases since the summer of 2021. Stepping up efforts to meet current renewable energy targets laid down in the NECP, and the even more ambitious targets proposed under the Fit for 55 package, becomes even more important in the current energy market context. Renewable electricity sources reached 68.3 GW of capacity in mainland Spain by end 2021 (equivalent to 63.5% of total installed capacity). Renewable electricity covered 48.4% of mainland demand. --- (3) Eurostat (2020), share of Russian imports over total imports of natural gas and crude oil. For the EU27 average, the total imports are based on extra-EU27 imports. For Spain, total imports include intra-EU trade. Crude oil does not include refined oil products.	4. Reduce overall reliance on fossil fuels. Accelerate the deployment of renewable energy, with a focus on decentralised installations and self-consumption, including by further streamlining permitting procedures and improving access to the grid. Support complementary investment in storage, network infrastructure, electrification of buildings and transport, and renewable hydrogen. Expand energy interconnectioncapacity. Increase the availability of energy-efficient social and affordable housing, including through renovation.
France	**Dependence on Russian fossil fuel imports is also limited compared to the EU.** Most French gas imports come from Norway, Russia and Algeria. Russia represented 17% of all gas imports in 2020. In 2020, France imported 29.4 bcm of natural gas by pipeline (of which 14% from Russia) and 17 bcm by LNG (of which 21% from Russia). The LNG potential in France is the second largest in the EU, with 113.9 mcm/day send-out capacity. Most of the capacity is currently used. France imported 9% of its crude oil from Russia in 2020, and 17% of its refined oil products. About 34% of its coal imports in 2020 came from Russia (13). ---	4. Reduce overall reliance on fossil fuels. Accelerate the deployment of utility-scale and decentralised renewable energies through increased public investment and by facilitating private investment, including by further streamlining permitting procedures and ensuring adequate staffing of authorising administrations. Improve the policy framework

	(13) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. Total imports include intra-EU trade.	to incentivise the deep renovation of buildings. Expand energy interconnection capacity.
Italy	**Italy is highly dependent from imports of gas, with Russia supplying about half of all imports.** Gas imports provide 93% of Italy's needs and have been growing since 2014 to meet the higher demand from the power sector. (16) Russia is Italy's largest gas supplier, with 43% of all imports in 2020 (indicatively 29 billion cubic metres of natural gas), followed by Algeria (22.8%). The share of gas in the energy mix in Italy (42%) is significantly higher than the EU average (24.4%). Though oil accounts for around one third of the total energy mix, Italy is less dependent on Russia for oil than it is for gas. About 11% of oil imports come from Russia; the main suppliers are Azerbaijan, Iraq and Saudi Arabia. Coal accounts for a much lower share in the energy mix than other sources (below 4%). --- (16) From 56 bcm to 71 bcm in 2019 (+5%/year). In 2020, gas imports contracted by nearly 7% to 65 bcm, in a context of economic downturn. LNG imports have tripled since 2014, despite a 4.4% drop in 2020, and supplied 20% of total gas imports in 2020 (compared to 8% in 2014).	(3) Reduce the reliance on fossil fuels and diversify energy import. Overcome bottlenecks to increase the capacity of internal gas transmission, develop electricity interconnections, accelerate the deployment of additional renewable energy capacities and adopt measures to increase energy efficiency and to promote sustainable mobility.
Cyprus	**Cyprus' high dependency on oil makes it very vulnerable.** Oil (all imported) account for 85.6% of its energy mix, exposing the economy to fluctuations of the oil price on international markets and creating a dependency on imports (...). Cyprus has one of the highest electricity prices in the EU due to this reliance on imported energy sources, its isolated island location and an uncompetitive electricity market. Energy consumption, including in transport, has increased by about 60% over the past three decades, while it has remained more or less constant in the EU during that period. Accelerating the creation of interconnections with neighbouring countries would help to achieve strategic autonomy, boost the green transition and reduce electricity prices. In particular, additional interconnectors would enable the grid to take on more renewables and end Cyprus' electricity isolation. Similarly, finishing the construction of facilities for importing liquefied natural gas, which was interrupted by the COVID-19 pandemic, would support those goals. Proposed gas interconnection pipeline projects should be hydrogen-compatible. At the same time, Cyprus would benefit from intensifying ongoing efforts to reduce energy consumption by increasing energy efficiency through the measures identified in the National Energy and Climate Plan (11). ---	4. Reduce overall reliance on fossil fuel and further diversify energy supply by accelerating the deployment of renewables, in particular by further streamlining permitting procedures and expanding photovoltaics. Develop energy interconnections with neighbouring countries, while extending and accelerating energy efficiency measures, including in the transport sector.

	(11) https://meci.gov.cy/en/useful-information/strategic-planning/cyprus-integrated-national-energy-and-climate-plan-for-the-period-2021-2030	
Latvia	**The vast majority of Latvia's energy imports directly or indirectly come from Russia, but alternative sources of supply exist.** While Latvia's share of renewable energy at 44.1% is among the highest in the EU, the remaining part is made up of oil (34% of the energy mix) and natural gas (22%) which were mostly imported from Russia (11). Thanks to easier transportation, oil products pose a significantly lower risk than natural gas in terms of security of supply. For natural gas, Latvia is connected to Russia through several pipelines and has historically bought all of its supply from Russia (12). However, thanks to its gas connection with Lithuania, it has access to an alternative supply source through the Klaipeda LNG terminal. In order to ensure gas flows at maximum capacity, an upgrade of interconnectors with neighbouring countries is needed. A further interconnection between Lithuania and Poland became operational on 1 May 2022 connecting the Baltic market with Poland (13). Finally, the region is served by the Incukalns gas storage (14), allowing for smoothing the seasonal mismatches between gas supply and demand. Recent energy solidarity agreements with Estonia and Lithuania provide a mechanism of ensuring gas supplies between the Baltics in case of a supply shortage --- (11) Based on 2021 data. Latvia's oil product imports come from Lithuania (roughly 70%) and Finland (roughly 30%). The refineries in these countries get their crude oil from Russia. However, they are now looking to buy from other sources. (12) Eurostat (2020), share of Russian imports over total imports of natural gas. For LV, total imports include intra-EU trade. (13) The connector's capacity is around 60 GWh/day (14) Total capacity of 24 TWh	4. Reduce overall reliance on fossil fuels and diversify imports of fossil fuels by accelerating the deployment of renewables, ensuring sufficient interconnection capacity, diversifying energy supplies and routes and reducing overall energy consumption through ambitious energy efficiency measures.
Lithuania	**Lithuania sources most of its energy needs from abroad.** The energy mix is mainly comprised of oil and natural gas (...), with only around a quarter stemming from renewable energy sources. In the past decade, Lithuania has significantly reduced its dependence on Russian gas and oil. Following Russia's invasion of Ukraine, Lithuania has abandoned gas imports from Russia by redirecting energy imports through the LNG terminal in Klaipėda, the oil terminal in Būtingė and the new gas interconnection with Poland. Although Lithuania already generates almost half of its domestically produced electricity from renewable energy sources, net electricity imports remain	4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, increasing energy efficiency and decarbonisation of industry, transport and buildings, and ensure sufficient capacity of energy interconnections.

	high, at around two thirds of gross electricity consumption in Lithuania. Mobilising public and private investment to speed up the growth in locally produced electricity from renewable sources, including offshore renewables, would help to reduce import dependency. Cooperation with other countries in the region through joint projects provides further opportunities. The region's energy security can be improved by the timely implementation of electricity grid synchronisation with the European continental power grid and by ensuring that energy interconnections have sufficient capacity. These should remain a policy priority in the coming years.	
Luxembourg	**Luxembourg is highly dependent on fossil energy imports, and has not reached its full potential for renewable energy production and consumption efficiency.** Luxembourg imports more than 90% of its energy consumption, which consists mainly of oil (68.5%) and natural gas (17.8%). The high share of oil reflects the central role of transportation in Luxembourg's economy, with significant freight and a large proportion of the workforce commuting from neighbouring countries. The share of renewable energy consumption is among the lowest in the EU. Luxembourg envisages scaling down gas consumption and replacing it with solar (and possibly geothermal) to heat buildings and, in the medium term, with renewable hydrogen in the heavy industry. However, Luxembourg might have to revise its national strategy in line with the EU's response to Russia's invasion of Ukraine.	4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, and investment in energy efficiency in both the residential and non-residential sectors. Support municipalities in developing detailed local plans for the deployment of renewable energy, including wind power and photovoltaics, and for district heating and cooling systems. Further promote electrification of transport and invest in public transport networks and infrastructures.
Malta	**Malta's energy mix is predominantly made up of oil and natural gas, with indirect exposure to Russian gas** (9) (...). Malta imports none of its gas or oil from Russia (10). However, approximately 20% of Malta's electricity consumption is imported through its electricity interconnector with Sicily (11), with Italy depending on Russia for 43% of its gas, 11% of its oil. Malta plans to make use of EU funding instruments to build a second electricity interconnector. --- (9) Source: Eurostat (2019/2020 data) and Policy scenarios for delivering the European Green Deal (europa.eu) (PRIMES projections for a scenario compatible with the Fit for 55 scenario) (2030 data) (10) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For Malta, total imports include intra-EU trade. Crude oil does not include refined oil products.	4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, promoting and enabling investments in wind and solar energy, including in floating offshore energy, further upgrading Malta's electricity transmission and distribution grids, and creating incentives for electricity storage to supply firm, flexible and fast responding energy. Reduce energy demand through improved energy efficiency, particularly in residential buildings. Reduce emissions from road transport by addressing traffic congestion through improved service quality in public transport, intelligent

	(11) In 2019 and 2020, Malta imported 25% and 17% of its total electricity supply respectively from the electricity interconnector. (Source: National Statistics Office, News Release 181/2021)	transport systems and investing in soft mobility infrastructure.
Netherlands	**The Netherlands relies strongly on energy from fossil fuels, with persistent dependence on Russian oil and gas.** Natural gas and oil together provided around 80% of the energy consumed in the Netherlands in 2020, compared to the EU average of below 60%. Due to the extraction of natural gas on its own territory, the Netherlands has traditionally been a net exporter of gas and its network is strongly interconnected with other Member States. With the phase-out of domestic gas extraction, import dependency has significantly increased and gas imports surpassed exports in 2017. A considerable part of the imports come through the LNG (liquefied natural gas) terminal in Rotterdam or through the connection with the terminal of Zeebrugge in Belgium. Nonetheless, dependence on Russian gas has been considerable, although to a lesser extent than in many other Member States (30% of imported natural gas in the Netherlands came from Russia in 2021 compared to an EU average of 44%). Through energy savings measures and expansion of LNG capacities, the government aims to be independent of Russian gas supplies by the end of 2022. The domestic oil supply is small and the reliance on crude oil imports from Russia is at the same level as the EU average (26%). The Dutch government also aims to become independent of Russian oil by the end of the year and has called on firms exposed to oil imports from Russia to reduce their dependence to contribute to a fast phasing out of imports. With 54%, the dependence on coal import from Russia is at the same level as the EU average. Overall, the Dutch economy is somewhat less exposed to risks of supply disruptions from Russia than other Member States but the impact of rising gas prices is expected to be relatively strong (33). --- (33) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For the EU27 average, the total imports are based on extraEU27 imports. For the Netherlands, total imports include intra-EU trade. Crude oil does not include refined oil products	4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, in particular by boosting complementary investments in network infrastructure and further streamlining permitting procedures, improving energy efficiency, in particular in buildings, and accelerating investments in sustainable transport and sustainable agriculture
Austria	**The geopolitical developments triggered by Russia's invasion of Ukraine have exposed Austria's energy security to risks.** Although Austria has already achieved a high share of renewables in electricity consumption (81% in 2020) and aims to reach 100% by 2030 (...), and dependence on Russian oil is below EU-average, major challenges remain. Austria is highly dependent on gas imports from Russia (roughly 80% versus 44% EU average (30), and gas remains a major energy source for households and companies (...). Gas accounts for more than 20% of Austria's energy demand, mostly for heating (23% of total gas consumption) and industrial use	4. Reduce overall reliance on fossil fuels, and diversify imports of fossil fuels, by accelerating the deployment of renewable energy and of the necessary infrastructure, notably by simplifying planning and further streamlining permitting procedures, and enhancing energy efficiency, in particular in the industry and building sectors,

	(40% of total gas consumption). Diversifying energy supplies remains a major challenge for Austria, and will require targeted actions. This includes ensuring sufficient capacity in interconnectors, for gas and electricity, with neighbouring countries, especially when it comes to additional flexibility and reverse flow capacity for gas, while ensuring that new investments into gas infrastructure are future-proof where possible, to avoid lock-in effects on the path to climate neutrality. This diversification could also be complemented by further investments in the production of renewable gases, including renewable hydrogen and sustainable bio-methane. These renewable gases would allow Austria to replace natural gas, in particular in sectors and regions that are most vulnerable to supply disruptions. Finally, additional sources of renewable energy, such as geothermal energy, remain underused and could be explored further. --- (30) Eurostat (2020), Russian imports of gas share of total extra-EU27 imports of gas.	and diversifying energy supplies as well as increasing flexibility and reverse flow capacity of interconnections
Portugal	**Portugal has a high share of renewable energy but is still dependent on imported fossil fuels.** Portugal exceeded its renewable energy target in 2020 with a share of 34% of gross final energy consumption (21) and 60% of electricity generation in 2021, mainly thanks to hydropower and wind generation. However, fossil fuels still accounted for 69% of its gross inland energy consumption in 2020, despite a decreasing trend. Oil dependency is particularly high in transport. Road transport continues to represent a large share of Portugal's energy consumption and GHG emissions. Portugal imports all its fossil fuels but it is not highly dependent on Russia, with 10% of its natural gas (only liquefied) imports from Russia in 2020. Nevertheless, Portugal's current energy mix is mostly based on oil. While coal for electricity production has been phased out with the closing of the last coal power plants, the share of gas (22) used for power generation was 33% in 2020, partly because of lower hydropower availability as a result of frequent droughts. Portugal is taking steps to accelerate renewables deployment, including through RRP investments in renewables, particularly in Madeira and the Azores. Portugal aims to achieve around 2 GW of installed capacity to produce renewable hydrogen by 2030 (reaching 5 GW in 2050), leading to fewer gas imports. However, Portugal still has under-exploited potential, especially related to offshore energy (23), local and small-scale solar energy generation, and sustainable biogas. Despite the improvements achieved with the introduction of the recent legal framework for renewables, obstacles remain in the Portuguese system for issuing production licences and installing and connecting plants to the electric grid. ---	4. Reduce overall reliance on fossil fuels, including in the transport sector. Accelerate the deployment of renewables by upgrading electricity transmission and distribution grids, enabling investments in electricity storage and streamlining permitting procedures to allow for further development of wind, particularly offshore, and solar electricity production. Strengthen the incentives framework for energy efficiency investments in buildings. Increase electricity interconnections.

	(21) Portugal has set targets of 31% in 2020 and 47% in 2030. (22) The vast majority of Portugal's gas import are in the form of liquefied natural gas (LNG), making it easier to diversify its origin. (23) Portugal has currently 25 MW offshore wind capacity while the EU has 16 GW and aims to reach at least 60 GW by 2030.	
Slovenia	Slovenia **has a diversified energy mix.** Currently, oil has the highest (31%) share in the energy mix, followed by nuclear with 23%, and renewables with 18% (...). By 2030, renewables, nuclear and natural gas would see an increasing share in Slovenia's energy mix, while the share of oil and solids would decline considerably compared to the current energy mix. **Natural gas accounts for 11.3%, but with 100% of the natural gas being imported from Russia, there is still a high dependency on Russian gas, which is provided overwhelmingly by imports from Austria.** Therefore, Slovenia similarly to some other Member States will also face a challenge in reducing its gas dependence on Russia. Although currently gas is less important in Slovenia than in the EU as a whole (apart from in some industries, particularly steel, paper), it is possible that its role would grow in the near future to substitute solid fuels in light of the announced coal phase-out by 2033. To this end, there is a need to ensure the implementation of the energy projects of common interest, especially when it comes to gas infrastructure and interconnections with neighbouring Member States. Slovenia should consider relying on access to LNG terminals of neighbouring Member States in order to diversify its gas supply.	3. Diversify imports of fossil fuels and reduce overall reliance on fossil fuels by accelerating the deployment of renewables, in particular by further streamlining permitting procedures, and strengthening of the electricity distribution network. Increase implementation of energy efficiency measures, notably in the building sector, electrification of the transport sector, and by ensuring that energy infrastructure and interconnections have sufficient capacity.
Slovakia	Slovakia**´s energy-intensive economy remains highly dependent on fossil imports.** The share of natural gas in the Slovak energy mix was 24.9% in 2020 (0.5 percentage point higher as compared to the EU average), with 85% of supplies imported from Russia (19). Over 90% of the population has access to natural gas networks. The share of nuclear in the Slovak energy mix stood at 24.6% in 2020 (compared to 13.1% in the EU). The nuclear fuel and crude oil are supplied from Russia (at the rate of 100%, in 2020), while hard coal imports are more diversified (20). The industry and heating sector make up a significant part of natural gas consumption in Slovakia. Large consumers accounted for 54.9%, small and mid-size industries for 16.6% and households for 28.4% of domestic natural gas consumption in 2020 (21). --- (19) Eurostat (2020), share of Russian imports over total imports of natural gas. Total imports include intra-EU trade.	3. Reduce overall reliance on fossil fuels and diversify imports of fossil fuels. Accelerate the deployment of renewables by further facilitating grid access, introducing measures to streamline permitting and administrative procedures and modernising the electricity network. Reduce reliance on natural gas in heating and industry. Adjust renovation policies to accelerate and incentivise deep renovations of buildings.

	(20) Eurostat (2020), share of Russian imports over total imports of crude oil and hard coal. Total imports include intra-EU trade. Crude oil does not include refined oil products. (21) The Annual Report 2020, the Office for Regulation of Network Industries of the Slovak Republic (URSO).	
Finland	**Finland is one of the Member States with the highest share of renewables in its energy mix.** The share of renewable energy in Finland's energy mix was 43.8% in 2020, an overachievement of its 2020 target of 38%. The renewable share is even higher for electricity, with 52% of all electricity produced in Finland coming from renewable sources in 2020. 45% of renewable electricity was produced with hydro power, 23% with wind power and nearly all the rest with wood-based fuels. 34% of total electricity was produced with nuclear power and 14% with fossil fuels and peat (10). **Some sectors in Finland depend on imports of energy resources from Russia, but the country is already diversifying away from Russian imports.** According to2020 data on the overall energy mix, oil (25.6%), gas (6.9%) and solid fossil fuels (9.4%) are still significant energy sources, with approximately half of all coal imports, two thirds of gas and 84% of crude oil imports coming from Russia in 2020 (24). Finland's dependence on Russia for these fuel sources is, however, expected to decrease over time. Finnish gas consumers are mainly power plants and industries such as steel, oil refinery and the chemical industry. In electricity generation, gas can in principle be replaced by other inputs, while industry is already shifting to alternative sources of gas, though in some sectors additional investment will be required for the decarbonisation and electrification of industry (25). Finland is developing a third liquefied natural gas (LNG) terminal, which is expected to be operational by October 2022. The Balticconnector bi-directional natural gas pipeline between Finland and Estonia was put in use in 2020, creating an alternative gas supply route for the Finnish market and connecting the country to the Baltic states and, since the opening of the Gas Interconnection Poland-Lithuania in May 2022, to the rest of the EU. LNG and pipeline gas import capacity is soon expected to cover the majority of Finnish gas imports. Finland's main users of crude oil have already taken action to replace most of Russian oil imports with imports from other sources (26). The planned construction of the Hanhikivi nuclear power plant by a firm partially owned by a Finnish subsidiary of the Russian state corporation Rosatom has now been put permanently on hold by the Finnish power company. Imports of wood chips from Russia can be an important heating source locally, in particular in Eastern Finland, which may require replacement with biofuels from other domestic and international sources. The Russian invasion of Ukraine is expected to speed up and expand investment in Finland for decarbonisation and ensure energy efficiency and security of supply. It	3. Reduce overall reliance on and diversify imports of fossil fuels by accelerating the deployment of renewables, including by further streamlining permitting procedures, and boost investment in the decarbonisation of industry and electrification transport. Develop energy infrastructure to increase security of supply.

	should be noted that any new investments should be future proof, where possible, to avoid lock in effects in the path to climate neutrality. --- (10) Statistics Finland, 3 November 2021: https://www.stat.fi/til/salatuo/2020/salatuo_2020_2021-11-02_tie_001_en.html (11) Teollisuuden Voima Oyj https://www.tvo.fi/en/index/production/plantunits/ol3.html (24) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil. Total imports includeintra-EU trade. Crude oil does not include refined oil products. (25)https://energia.fi/energiapolitiikka/ukrainan_sota/venajan_merkitys_suomen_energiahuollolle (26) Including the Neste refinery in Porvoo: https://www.neste.com/releases-and-news/oilproducts/neste-has-mostly-replaced-russian-crude-oilother-crudes	
Bulgaria	**Bulgaria relies on natural gas from Russia, mostly for district heating and industrial use.** In 2020, it imported most of its gas from Russia. However, the share of natural gas in the energy mix in 2020 was only 14%, with very limited impact on electricity generation. Bulgaria also imports very little hard coal from Russia (0.56 million tonnes, 85% of total coal imports), primarily for industrial use as coal-fired power generation is fully covered by the domestic production of lignite. Rather, the increase in natural gas prices indirectly affected electricity prices because of market coupling and the general increase in the EU. In the electricity sector, household consumers are covered by regulated prices, which will be gradually phased out by 2025 as stipulated in the RRP.	3. Reduce overall reliance on fossil fuels and fossil fuel imports by accelerating the development of renewables, and diversify gas supply sources and routes by increasing interconnections with neighbouring countries. Step up efforts to reduce energy demand by increasing energy efficiency in industry and in private and public building stock. Promote new sustainable solutions in centralised district heating.
Czechia	**The Russian invasion of Ukraine poses risks to the outlook of the Czech economy.** Czech exports to and imports from Russia represent 1.7% and 2.5% of the GDP respectively, while exports to and imports from Ukraine represent around 0.7% of GDP. Although trade links are minor, they are concentrated in a number of industries, notably in manufacturing, which hosts many energy intensive businesses characterised by complex supply chains (such as the automotive sector). Disruptions of imports therefore pose substantial risks, especially as regards energy. In 2020 for instance, all gas imports, 49% of crude oil imports and 70% of hard coal imports came from Russia (3). (...) **Czechia is highly dependent on fossil fuel imports from Russia.** While the use of natural gas made up 17.7% of the country´s energy mix in 2020 (compared to an EU average of 24%), it still plays an important role in the industrial and heating sectors. To address	4. Reduce overall reliance on fossil fuels and diversify of fossil fuel imports. Accelerate the deployment of renewables, streamline permit procedures and make grid access 21 Under Article 9(2) of Council Regulation (EC) No 1466/97.EN 11 ENeasier. Increase the energy efficiency of district heating systems and of the building stock by incentivising deep renovations and renewable heat sources.

	this dependency, Czechia needs to diversify its import sources and leverage its interconnected gas network and available storage capacity. Public support forinvestments in new natural gas-based installations, such as natural gas boilers,should be reconsidered. Czechia is also highly dependent on the Russia in terms of nuclear fuel supply. --- (3) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For Czechia, total imports include intra-EU trade. Crude oil does not include refined oil products. Czechia has an indirect dependency on Russian imports through intraEU trade. Accounting for the secondary dependence on Russian coal through intra-EU imports would lead to the estimation that Czechia has a 70% Russian import dependency on hard coal.	
Denmark	**Energy dependence on Russia is significant but could fall markedly by next year.** Coal accounts for 4.7% of Denmark's energy mix and it is almost wholly dependent on Russian imports. Denmark has a significantly larger share of oil in its energy mix (37.9%), but is much less dependent on Russian imports (12%) (2). Lastly, around 13.8% of Denmark's energy mix is made up of natural gas. Although the country does not import Russian gas directly, its dependence through import of gas from Germany is likely to be significant and constitutes an indirect dependence on Russia for natural gas. The refurbishment of one of the largest Danish oil and gas fields is expected to be finished in Q2 2023, which could significantly reduce the import of oil and make Denmark a net gas exporter again. The government also supports short-term measures to accelerate the exit from Russian natural gas and oil by the temporary increase of domestic gas extraction from the North Sea, increased use of sustainable biogas and accelerating the finalisation of the Baltic Pipe (which will transport gas from Norway to the Danish and Polish markets). --- (2) Eurostat (2020), share of Russian imports over total imports of natural gas, crude oil and hard coal. For Denmark, total imports include intra-EU trade. Crude oil does not include refined oil products.	4. Reduce overall reliance on fossil fuels. Further diversify energy supply and help decarbonise the economy by accelerating the deployment of renewables, including by introducing reforms to simplify and expedite administrative and permitting procedures, upgrading energy transmission networks, increasing interconnections with neighbouring countries and improving energy efficiency.
Croatia	**Croatia has a diversified structure of gas and oil supply and depends less than other EU countries on imports of Russian hydrocarbons.** In 2021, the imports from Russia via Hungary, accounted for 22% of the country's total natural gas supply, whereas 57% of gas was imported	3. Diversify fossil fuel imports and reduce overall reliance on fossil fuels. Accelerate the deployment of renewables, focussing in

	from other countries through the liquid natural gas terminal (operating since the beginning of 2021) and 21% was produced domestically. .. The dependence on Russian oil is also not pronounced: 9% of total oil imports comes from Russia, while the majority of oil supply is covered by imports from Azerbaijan (37%), Italy (14%) and Slovenia (11%) (2) (3). --- (2) Eurostat sources (3) An important share of HR's total oil imports is refinery feedstock. HR is highly dependent on Russian imports for these, with 72% of total refinery feedstock imports coming from Russia.'	particular on wind, solar and geothermal sources, including through small-scale renewable energy production and developing energy communities, mainly by streamlining procedures for administrative authorisation and permits. Further upgrade electricity transmission and distribution grids and invest in electricity storage. Step-up action to reduce energy demand by improving energy efficiency, mainly in residential buildings, and to reduce dependence on fossil fuels in the heating and transport sectors.
Hungary	**Hungary's energy sector depends strongly on Russia for fossil fuels and investment.** Oil and gas account for two-thirds of Hungary's energy mix. Hungary's only oil refinery mainly uses oil from Russia, but some 30% of its feedstock comes from alternative sources, mainly through the Omisalj oil terminal in Croatia. For gas, Russian imports account for as much as three quarters of domestic consumption, with the rest covered by domestic production (12). The nuclear energy sector, which accounted for 46% of electricity generation in 2020, also depends on Russian technology, nuclear fuel and funding. Regional gas interconnections could allow limited diversification of imports. Due to its geographical location Hungary relies on Russian gas import and has no direct access to overseas liquefied natural gas. Therefore, Hungary maintains a large gas storage capacity of 6.5 billion cubic metres (bcm) or 60% of annual consumption. However, these were largely exhausted by spring 2022. Hungary signed a long-term contract in 2021 to continue purchasing Russian gas. Existing pipelines to Hungary's neighbours create only limited possibility to import from other sources. --- (12) Eurostat. In 2020, Hungary's crude oil and natural gas imports from Russia amounted to 61% and 95% of total imports of crude oil and natural gas respectively. However, Hungary was a significant exporter of refined oil products and natural gas to neighbouring countries. Accounting for these energy exports, Hungary's import dependency on Russia was 17% of gross inland consumption for oil and 76% for gas. These estimates assume that domestic production and imports from third countries are used to cover domestic consumption	6. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, in particular by streamlining the permitting procedures and the upgrading of the electricity infrastructure. Diversify imports of fossil fuels in particular by strengthening interconnection with other countries. Reduce the dependency on fossil fuels in buildings and transport by stepping up efforts on energy efficiency measures for all, especially in residential houses and on the electrification of transport.

Poland	**Poland's energy mix remains heavily reliant on fossil fuels, especially on coal, and decarbonisation efforts need to be stepped up** (...). In 2020, the share of fossil fuels in total energy supply was around 86%, with coal alone accounting for 40% of it. Poland produces around 70% of its electricity through conventional coal power plants and coal accounted for 59 % of energy-related CO2 emissions in 2019. The country also features the EU's highest share of coal in heating. The greenhouse gas emissions intensity of the economy stands 54% above the EU average due to the coal-based power generation and the economy's reliance on heavy manufacturing (...). If left unaddressed, Poland's high carbon intensity could seriously harm its economic competitiveness and undermine efforts to reduce dependence on fossil fuel imports from Russia. Against this backdrop, it is essential to implement timely reforms and investments to accelerate the deployment of renewables in all sectors and rapidly reduce the energy intensity of the economy and the share of fossil fuels in the energy mix taking into account just transition concerns. This would strengthen the climate and environmental sustainability of the Polish energy system as well as the country's security of energy supply.	6. Reduce overall reliance on fossil fuels by removing regulatory, administrative and infrastructural barriers to accelerate permitting and deployment of renewable energy sources. Reform building renovation policies and support schemes to incentivise deeper energy efficiency, promote energy savings and faster phase-out of fossil fuels in heating and accelerated deployment of heat pumps. Accelerate modal shift towards public transport and active mobility and promote faster uptake of electric vehicles with incentives and investment in charging infrastructure. Improve long and medium-term strategic planning of the green transition by updating national energy policies in line with the European Green Deal objectives and the REPowerEU Communication to provide certainty to the business community and use funding effectively with a view to accelerating clean energy investments
Romania	**Given the current geopolitical situation, Romania faces energy-related challenges.** Fossil fuels still make up a large share of the energy mix (70% of the energy mix, and oil and natural gas accounts for nearly 60%), while the share of renewable power remains limited (20%). Romania is the second largest gas producer in the EU, serving mostly the domestic market, but still imports gas from Russia during winter times. According to 2020 data, Russian imports of natural gas was 45% of total gas imports for Romania. (17) In order to reduce dependency on fossil fuels and to ensure a stable gas supply, Romania needs to further diversify its energy mix, improve its energy efficiency and increase interconnection capacity. Moreover, off-shore gas discoveries in the Black Sea could reduce Romania's dependency on Russian natural gas and allow the country to challenge Russia's dominance of the regional energy market with exports. In addition, Romania is planning to further invest in nuclear power. ----	3. Reduce overall reliance on fossil fuels. Facilitate the further expansion of sustainable energy production by accelerating the development of renewables, upgrading energy transmission grids and increasing interconnection with neighbouring Member States. Increase the pace and ambition of renovations to advance the energy efficiency of the building stock.

	(17) Eurostat (2020), share of Russian imports over total imports of natural gas. Total imports include intra-EU trade.	
Sweden	**In line with the overall EU aim, also Sweden needs to even further reduce dependence on Russian fossil fuels.** Recent geopolitical developments have brought even greater urgency for the EU to ensure the security of its energy supplies, in particular by phasing out its dependency on Russian fossil fuels. For its limited share of gas in the energy consumption (3%), the dependency on Russia is limited (13% of imports). The share of oil in energy consumption is higher (18%) but the dependency on Russia is limited as well (20% of refined oil imports and 8% of crude oil imports are from Russia) (8). Oil is mainly used in the transport sector and for re-export after refining. Despite Sweden's already limited direct exposure to Russian fossil fuels, it still stands to benefit from further decarbonisation efforts and reduced reliance on fossil fuels. In addition, in the context of recent geopolitical events, Sweden could increase its security of energy supply and adaptability to regional variances by advancing interconnection projects with neighbouring countries. --- (8) Eurostat (2020), share of Russian imports over total imports of natural gas, not included refined oil products	4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables and boosting complementary investment in network infrastructure, strengthening internal grids within the country to ensure sufficient network capacity, improving energy efficiency, and further streamlining permitting procedures in relation to renewable energy projects.