

Retail and wholesale and the energy crisis – an urgent need for support

Introduction

The current crisis in energy prices also risks becoming a crisis in supplying consumers with the products which they require as retail and wholesale face yet further pressures on their financial viability. Energy is responsible for 40% of the present wave of inflation and the EU needs to tackle this challenge quickly. Energy bills are in some countries quadrupling and now making up 40% of EBIDTA of retailers, which, with margins of 1-3%, means no margin at all.

In this respect we welcome the initiatives launched by the Commission to deal with energy supply problems this winter, and the draft Regulation on emergency energy measures announced by President von der Leyen on 14 September.

As an essential service to customers and the rest of the supply chain, our sector cannot simply halt its operations to take account of energy prices. **This is an exceptional situation and our request for help is temporary and exceptional, but it is also urgent:** many companies in our sector, just recovering from the impact of COVID, face at best an uncertain future, and in many cases bankruptcy in the near future. If this leads to a large number of shops closing, it is the consumer – and the economy - which will be hit hardest.

While our sector was seen as essential during the COVID pandemic, this recognition is absent in this present energy crisis. Member states have hitherto not provided support to our sector, perhaps assuming that we do not use as much energy as other more obvious sectors. This is far from the truth. Hence our call for member states to implement the Regulation to **provide support to all sectors hit by the energy crisis, including retail and wholesale**. In doing so governments need to recognise the central role that retail and wholesale, as a direct interface both with the rest of the supply chain and the consumer, can, with the right support, play in helping consumers weather the present cost of living crisis and in contributing to less reliance in Europe on imported fossil fuels.

The retail and wholesale sector comprises some 5 million companies, and is Europe's largest private sector employer, providing 26 million jobs directly to Europeans, and many millions more in its supply chains. **Retail and wholesale is being hit hard by skyrocketing energy prices.** Its customers are already facing massive rises in their bills and are consequently already cutting back their spending, including on basics like food. Retailers and wholesalers have been working hard to cushion consumers from the worst impact of inflation and it is difficult for them to pass on to customers the full cost of skyrocketing energy bills. This is not a situation which can easily be maintained.

We therefore call upon the Commission and member states to:

- **Take urgent action to reduce significantly the price of energy to end-customers while the present crisis persists.** This should include full implementation of the measures set out in the draft Council Regulation and, as a temporary and exceptional measure during this extraordinary crisis, adjustment of the merit order principle to bring about a reduction in the price of electricity. This should be accompanied by member states reducing national energy taxes to the minimum (0.5%) allowed under EU law.
- **Apply the Temporary Framework for State Aid** in a way that aid under the Emergency Energy Regulation and the Recovery and Resilience framework are applied to all sectors hit by the crisis (and not just traditional industry).
- **Recognise that we provide an essential service to consumers**, and if no support is given to retailers and wholesalers, rendering them unable to contain the impact of high energy costs, this will undermine many companies' ability to survive and inevitably have a negative effect on consumers' cost of living and their ability to find the daily essentials they need.

- **Ensure that our sector benefits from schemes aimed at reducing the impact of high energy prices.** The situation in retail and wholesale is acute, with 20-50% of shops of all sizes warning that without urgent support, they face going out of business in the near future. With low margins and a highly diverse set of competing companies, our sector is different from many manufacturers with concentrated production and the option of reducing their operations in the face of increased energy costs. Our sector operates around the clock and is a large energy user: A typical hypermarket can consume 2GWh/year and a department store an average of 7GWh/year. With many millions of shops and wholesale premises of all sizes, the overall energy use of our sector is very significant. In Germany alone, the sector is estimated to use 35 TW/hrs annually, more than those industries usually viewed as energy-intensive. It needs help both to meet this unprecedented challenge, and to accelerate its already substantial investment in reducing its energy use and carbon footprint.
- **Ensure that our sector is able to source consistent energy supplies** where peak-hour demand reduction measures are implemented. This should apply particularly to food retailers in both urban and rural communities: this is vital in maintaining food safety and avoidance of food waste in maintaining the integrity of the cold chain.
- **Recognise, therefore, that – with the right support – the sector can be a game-changer in reducing dependency on imported fossil fuels.** It is already taking forward initiatives to reduce energy consumption and has the capacity to instal many more solar panels and increase its access to alternative energy. It can also act as an accelerator of electrification of logistics transport and replacing gas for heating. The sector can thus play a major role in the energy transition and EU targets for alternative energy by 2030. But this will require a supportive regulatory framework, such as permitting and tackling the current price disincentive against producing more energy (see below).
- **Pursue the changes proposed under REPowerEU to streamline and accelerate issuing of permits to instal alternative energy infrastructure.** In this context, we ask the EU and member states **to examine how to make the price paid for excess energy fed into the grid** allow viable investment to maximise our sector’s capacity to generate alternative energy and share this where this exceeds own-use needs.
- **Match obligations under REPowerEU and in the Energy Performance of Buildings with support and with the ability of operators to bear the cost of the considerable investments these involve.** These measures will be important in reducing reliance on fossil fuels, but the obligations must be linked to availability of funding, as the costs involved go beyond the ability of our sector to fund them. They must also reflect the practicalities surrounding availability of equipment and skilled labour in obligations to instal fast vehicle charging stations or for alternative electricity infrastructure. This challenge can be illustrated for example, by the effect of these obligations in Germany, requiring some 180 charging points to be installed every day in 2026 and 2027, which present permitting procedures and the availability of equipment and skilled installers makes impossible. In other member states, for example Spain, unrealistic rules in implementing the Energy Performance of Buildings Directive will require installation of some 20,000 charging stations by January 2023. It is necessary to ensure that any funds disbursed through the new proposals can be used to ensure that this transition can happen in practice.

Conclusion

The number of retail and wholesale premises together make up as much energy use as ecosystems usually considered energy-intensive, and therefore should be treated equally with traditional industry. Particularly in the food chain, it should be seen as an essential service whose continuity of electricity supply is necessary in order to keep consumers provided with daily essentials and keep food safe and avoid waste. It needs to be provided with access to state aid to deal in the short term with the impact of the energy crisis, to invest in alternative energy sources and increase energy efficiency. The potential of this sector to make a real difference in the green energy transition and reduce reliance on fossil fuel is considerable. But it needs regulatory and financial support to realise this potential – for consumers and for Europe’s economy.

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