

THE DARK SIDE OF ENERGY CRISIS SUBSIDIES



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Abstract

Europe is whirling in a lasting energy crisis. For the moment, some positive developments, as well as the adoption of measures aimed at limiting the negative effects of the energy crisis, give the false impression that this is an adventure which, although unpleasant, will nevertheless be limited time. Unfortunately, not only is the energy crisis not ending, but on the contrary, it is causing a series of serious upheavals for Europe. We focus in this article on the effects that are expected to result from spending the sums of money that have already been allocated within the EU in the form of subsidies to deal with fierce energy prices. In particular, for Greece, a member of the EU and the euro zone, the choice of the EU should cost it, according to the estimates of the Bruegel research center, 3 to 6 points of increase in its debt. Determining criteria is always a challenge, including in the case of energy subsidies in the EU.

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Europe is whirling in a lasting energy crisis created by itself, due to some inability to foresee the disastrous consequences of its policies. Its dependence on Russian gas, which represents 50% of its total needs, should have made it extremely cautious in its decisions. It therefore seems inconceivable that Russia's response to the harsh sanctions it chose to impose was not planned.

The acute energy problem facing Europe is so far overshadowed by huge gas reserves and generous public subsidies. In addition, the insufficient information of European citizens, carefully maintained by EU leaders, limits their reactions to the unpleasant measures imposed on them. But unfortunately, this lull is likely to be short-lived, as we expect multifaceted disasters that could trigger uprisings.

For the moment, some positive developments, as well as the adoption of measures aimed at limiting the negative effects of the energy crisis, give the false impression that this is an adventure which, although unpleasant, will nevertheless be limited time. I am referring, first of all, to the Russian gas weaning efforts, which began and continue at a rapid pace and in many directions. However, apart from the fact that these efforts need time to bear fruit, the most important risk is the existence of serious doubts as to their degree of success.

The prevailing optimism at the moment is due to the price of gas, which today is lower than it was in the summer, although it is still around six times higher than before the war in Ukraine, and even if it fluctuates. It is also due to the introduction by the European Union (EU) of generous public subsidies, which give relief to energy consumers, but which is a short-term measure. In particular, and because the new year will see a return to a tight monetary policy, but also a continuation of inflation, which does not favor subsidies. Moreover, the relative optimism which is cultivated in the EU with regard to the energy crisis is also justified by the fact that, so far, the measures imposed to limit energy consumption have been accepted with relative equanimity by European citizens.

Another positive aspect is the finding of the research institute IFO that 75% of German industry (which logically extends to some extent to other EU countries) did not suffer any unpleasant consequences of the energy crisis. And, of course, some hope also rests on the EU setting a gas price cap.

However, this optimism did not take into account a number of processes of the energy crisis, which, although not yet sufficiently felt, still pose serious long-term risks that threaten key socio-economic sectors in Europe. These threats coincide with the sad revelations, on the one hand, of the lack of solidarity and cohesion within the EU, and on the other hand and above all, of the existence of abysmal corruption, which fuels numerous scandals within the EU. European citizens are today dumbfounded and wonder what they can still expect from Europe. Unfortunately, not only is the energy crisis not ending, but on the contrary it is causing a series of serious upheavals for Europe. These threaten to weaken it and accelerate its international marginalization. This is an unpleasant development, which will first affect the weakest European economies, with the most problems and the highest debts, such as the countries of southern Europe, and above all Greece.

Of all these effects, I focus in this article on those that are expected to result from spending the huge sums of money that have already been allocated within the EU in the form of subsidies to deal with fierce energy prices. Although this amount has not been widely publicized, for obvious reasons of course, the think tank Bruegel reveals that from September 2021 to date, the EU has spent public money to the tune of 700 billion euros, and the spending continues.

Considering the ease with which the European Union approved the expenditure of this program, it is not surprising that it did not take into account the exorbitant amount (to amuse its own more or less inaccurate policy), which moreover does not solve the fundamental energy problems, but only temporarily manages the intensity of their consequences, namely the revolt of European citizens,

certain associations are inevitable. Among them, the tragic fate of Greece under the memorandums of understanding, the result of cooperation between the EU and the IMF, comes to the fore.

I am referring to the Greek debt, perfectly sustainable before the memoranda, which was only equal to around 1/3 of the public money already spent on energy subsidies within the EU. Let me add the budget deficit of our country before the memoranda, which could certainly have been addressed by a series of measures that would have limited it. But in the end, for Greece, a member of the EU and the euro zone, we found no solution less inhuman than to choose Iphigenia. Now, once again, with the disaster it has worked in Greece behind it, the EU is unhesitatingly sacrificing climate change, green growth, part of industry and its growth rate, but also the possibility of improving the living conditions of the weakest social classes, but also the pursuit of better public health and better education, a more equitable distribution of income, etc., etc., with the sole aim of slow down the reactions of European citizens to the harmful consequences of the energy crisis, which it has caused by some unfortunate decisions.

In particular, for our poor country, this choice of the EU should cost it, according to the estimates of the Bruegel research center, 3 to 6 points of increase in its debt (a prediction that refers to all economies with high debt). This increase will make it more difficult, if not impossible, to regain the investment grade that our government is now trying to obtain by any means and at any price, will make it more difficult and burdensome to borrow, and will force us to new inhumane austerity and the impossibility of raising wages, which are the lowest in the EU, with the exception of Bulgaria. The counter-argument is well known, and it is the one that currently rejects Kissinger's twice-voiced advice on the need for a diplomatic solution to the war in Ukraine. However, in the case of energy subsidies in the EU, the question of how the criteria on the basis of which they were accepted were chosen, and whether these criteria fit into the wider requirements of democracy, arises reasonably.

Given that this is non-productive spending, which has clearly failed to respond to needs of a much greater magnitude, such as, among others, the adoption of the necessary economic and budgetary policy measures, including the mismatch creates disastrous impasses in Europe, and the forced abolition of the application of the basic economic principle. And the question that arises is: shouldn't the 'democratic' EU have been informed and respected the preferences of European citizens in this respect before proceeding with the allocation of this huge number of subsidies, which has already exceeded 700 billion euros?

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