

Brussels,  
7<sup>th</sup> September 2022

**EACH Statement – Importance of energy markets remaining open and measures that do not distort price formation**

CCP Clearing Houses represent support infrastructures for the electricity and gas markets in Europe. Electricity and gas exchanges ensure that producers and utility companies can rely on transparent and neutral prices formed in the exchanges to allow them to fund and hedge their activities in an effective manner. CCPs support that process by financially guaranteeing those transactions through collateral, as well as by providing transparency, safety and certainty to market participants that use these markets for funding and hedging activities.

We are well aware of the energy crisis that Europe finds itself in and understand the absolute necessity of finding solutions that further promote resilience and consumer protection. While CCPs have remained resilient during this period, we note liquidity stresses with some non-financial market participants of the energy sector. We have therefore called for regulators to widen the range of collateral that CCPs can accept such as fully committed on demand bank guarantees and EU Emission Allowances and acknowledge the time-limited liquidity schemes for non-financial market participants considered in different Member States which we have been calling for<sup>1</sup>.

With regard to the **possibility of introducing short-term measures, such as a price cap in energy markets, we would only support measures that do not distort the price formation process of the gas and electricity markets, such as incentives to reduce energy demand and subsidies to vulnerable consumers.**

The robust risk management performed by CCPs to promote sound markets depends on predictable prices from the exchanges and, while volatility has led to some difficulties, CCPs have remained functional. However, if the price caps that are being discussed were to take the form of a direct intervention in the market mechanism itself to radically lower the prices set on the exchanges, this would have a direct knock-on effect to the CCP and from there to all the producers, utilities and banks that facilitate these markets. In case a radical direct cap intervention is decided such drastic intervention would generate a shock that could potentially lead to issues of security of energy supply, dry up of the futures market for hedging price risk and increase the risk of some market participants defaulting with possible contagion effects.

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<sup>1</sup> [https://eachccp.eu/wp-content/uploads/2022/05/20220419\\_Joint-associations-position-on-support-for-well-functioning-energy-markets\\_Executed.pdf](https://eachccp.eu/wp-content/uploads/2022/05/20220419_Joint-associations-position-on-support-for-well-functioning-energy-markets_Executed.pdf)

Therefore, while we understand the need to take some measures and acknowledge the discussions around the possibility of some form of price caps, we wish to ensure that policymakers understand the consequences of different types of price caps so that any price cap eventually proposed can be executed without contagion.

We also **warn against public authorities suggesting measures such as markets closures**, as this would likely lead to the emergence of parallel shadow markets, lacking the transparency, neutrality and soundness features of regulated markets, negatively affecting market participants and ultimately end consumers.

**Contact**

EACH Media Team  
+32(0)22061260  
info@eachccp.eu

## **About EACH**

The European Association of CCP Clearing Houses (EACH) is a Belgian not-for-profit organisation (AISBL) founded in 1992 which represents the interests of central counterparty clearing houses (CCPs) in Europe. The membership is open to CCPs based in the European Union and in other European countries. The membership of EACH comprises 18 CCPs incorporated in 14 European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

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