

Ms. Ursula von der Leyen
President
European Commission
Rue de la Loi 200/ Wetstraat 200
1040 Brussels

Your letter / date:	Our number:	Handles / contact:	Bratislava
	172/2022	Sninčáková/ ruz@ruzsr.sk	6. 10. 2022

Dear Madam President of the European Commission,

I am addressing you on behalf of the National Union of Employers (NUE) in connection with the ongoing crisis in the energy sector and its impact on Slovak businesses.

The gas, electricity and heating markets are currently in an unprecedented situation. The war in Ukraine, the significant reduction in gas supplies from Russia to Europe and the extreme volatility of energy prices have caused complete distortion of the market with its previously functioning energy trading model.

As a result, it is no longer possible to secure a standard energy supply for industry during the winter months or for next year. In addition to the negative impact of energy prices on households, the destructive effects of the energy crisis on industrial gas and electricity consumers cannot be avoided in the current situation.

The crisis has particularly impacted energy-intensive industries, but also engineering, food industry or the HORECA sector. Companies of all sizes across the entire Slovak economy are at risk, as are schools, hospitals, and sports and cultural facilities.

It is not just a question of the near future, we can already see the consequences of the interruption or complete cessation of production in the affected regions, as this has already happened in several businesses (Slovalco, OFZ or Duslo Šaľa) and we expect this trend to continue.

At current energy prices, it simply does not make economic sense for many energy-intensive industries to produce and continue with planned investments in green technologies, decarbonization or future development. It is questionable whether businesses can continue functioning at a time when there are not only short-term gaps in supply or logistics but also existential problems. The products and services produced and provided in Slovakia will no longer be competitive and many businesses are at risk of bankruptcy, with negative consequences for employment and the social situation.

As a result, both Europe and the Slovak Republic will become more dependent on the supply of products and materials, be it steel, alloys, fertilizers or aluminum, from third countries with lower environmental standards, which will in turn translate into a significant increase in global carbon emissions with a negative impact on climate change. In the context of the upcoming decarbonization investments of the Slovak industry, the price of electricity is a key factor, as many green technologies depend on it. Thus, it is not only the very existence and competitiveness of Slovak industry, the stability of the Slovak economy, but also the fulfilment of the European Union's ambitious climate goals that is seriously threatened.

In addition to extremely high energy prices, Slovak industry has struggled in recent months with a sharp drop in demand in downstream chains as well as a deteriorating consumer sentiment, in the fear of an expected recession. Excessive inflation translates into prices for input raw materials and transport costs, as a result of which one in six Slovak companies will be at risk of bankruptcy next year.

In its latest forecasts for autumn 2022, National Bank of Slovakia expects a significant deterioration of the economic situation and an inflation rate of 18% next year. If effective and timely measures were implemented to regulate energy prices (gas, heating and electricity), the Slovak economy would narrowly avoid recession next year, but this is still not happening. NBS's prediction without government measures to regulate the energy market remains a more likely scenario, suggesting that inflation could reach more than 35% and at least 15,000 jobs would be directly threatened. After all, this scenario was personally described by Prime Minister Heger in the media, and it would lead to the collapse of industrial enterprises and the collapse of the Slovak economy.

Indirectly, however, all jobs in Slovak industry are at risk, i.e. more than six hundred 685,000 jobs. In the steel sector and its supply chain within the EU alone, more than 2,500,000 employees remain in uncertainty.

The above-mentioned risks are not specific only to the Slovak Republic, but they rather concern all Member States of the European Union and all industries. Unions of employers and associations of the chemical, glass, paper and steel industries in the EU, as well as Europe's largest employers' organization BusinessEurope, which we are a member of, have repeatedly highlighted the critical situation and are calling for a prompt solution.

As a representative organization of Slovak employers, NUE welcomes the efforts at European level, but would also like to stress that the regulatory measures in place must reflect the specific conditions of individual Member States in order to maintain the competitiveness of businesses in the EU single market. Unfortunately, the European Commission's proposal presented and discussed so far does not bring such solutions and, at the same time, does not distinguish the different positions of individual countries – in its current form, it does not offer a "redemption" for Slovakia in the ongoing difficult situation.

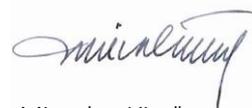
Dear Madam President of the European Commission,

given the urgency of the situation, we believe that immediate and targeted measures need to be implemented at both national and European level. We hope that you will discuss these at the highest level during the EU Summit in Prague this week.

There is no time for deferral, the situation is not serious, it is critical.

Therefore, on behalf of all members of the NUE, we ask you to take such decisions that would avert the above-described scenario in the Slovak economy and protect domestic industry. Employers associated in the NUE are ready to cooperate with the Government of the Slovak Republic to solve this crisis and to participate in a joint dialogue.

Yours sincerely,



RNDr. Miroslav Kiraľvarga, MBA
President of NUE

Cc:

Eduard Heger
Prime Minister of the Slovak Republic

Maroš Šefčovič
Vice-President of the European Commission for Interinstitutional Relations and Foresight

Kadri Simson
European Commissioner for Energy