

1 July 2022

GN POSITION PAPER ON THE HYDROGEN AND DECARBONISED GAS PACKAGE

GasNaturally welcomes the proposed Hydrogen and Decarbonised Gas Market package as a necessary framework to decarbonise the gas sector by accommodating renewable and low-carbon gases under the gas market rules while safeguarding the achievements of the Internal Gas Market. We appreciate that the package recognises that gaseous fuels remain an integral part of the European energy mix.

Particularly, we support the following elements of the proposal:

- It proves clear ambition to integrate renewable and low-carbon gases into our energy system, supporting to some extent retrofit and repurpose of existing infrastructure.
- Blending is acknowledged as one option to integrate hydrogen into the markets by setting an obligation on TSOs to enable 5% blending at IPs.
- It reinforces consumer rights, mirroring large parts of the Electricity Market Design.

We believe the adoption of a long-term vision on the regulation of renewable and low carbon gases gives more clarity to market players and infrastructure operators. Europe's energy transition requires massive efforts to reduce energy consumption and decarbonize all sectors. Renewable and low carbon gases can enable Europe to reach the net-zero emissions objectives, especially by utilising them in all sectors, such as industry (e.g., cement, steel, chemicals), buildings, and heavy-duty transport.

We call for a binding EU level target to be included in the Gas Directive to reduce the GHG intensity of gas consumed in Europe by at least 20% compared to 2018.

At the same time, we recognise issues that need to be addressed to establish a policy and regulatory framework that enables operators in the gas value chain to implement technological solutions that drive the decarbonisation of the sector, including:

- There is no mention of a fossil fuel comparator for low carbon gases. Hence, the GHG savings threshold of 70% give no indication about the actual GHG savings to be achieved by low carbon gases. For renewable gases the current proposal is limited to transport end use due to the scope of the Renewable Energy Directive II.
- What rules apply for hydrogen which cannot qualify as low-carbon hydrogen or "green" hydrogen (RFNBO), i.e., rules for hydrogen below the 70% emissions reduction threshold;
- An unworkable transportation tariff discount for renewable and low carbon gas that would require the physical tracking of molecules within a single mass balancing system; and



- Stricter rules on unbundling for HNOs compared to natural gas and the lack of separation between transmissions and distribution activities that impede investments in hydrogen infrastructure.

To establish an operating environment that gives operators appropriate tools to build on past achievements and shape the transition towards sustainable gaseous solutions in the EU energy mix, we urge policymakers to consider the following policy recommendations:

- Support for renewable and low carbon gases should be done through the establishment of targets for the overall GHG reduction of the gas sector by 2030, alongside a commensurate target for renewable gases; Support for renewable and low carbon gases should be provided through tradable certificates, such as Guarantees of Origin, and not attached to physical energy flows (i.e., not through transportation tariff discounts);
- Criteria for the methodology to calculate GHG emission savings for low-carbon gases should be established in the Directive and not left to a Delegated Act;
- The proposal should make a clear commitment to accelerate and facilitate the hydrogen economy – building up markets and infrastructure in a cost- and time efficient way; and
- Any policy pathway for hydrogen production and utilisation in the EU should let all types of hydrogen compete (incl. low-carbon and blue hydrogen) on a level-playing field.

Furthermore, we have the following considerations for the production ramp-up and use of renewable and low carbon gases in the EU for decades to come:

- We fully support the deployment of European made technology to deliver the volumes of renewable and low carbon gases we will need by 2030.
- We welcome a coordinated approach with the EU neighbourhood countries to develop the right approach to large scale imports of renewable and low carbon gases.
- We support the deployment of biomethane across the economy and are supporting more integration of biomethane into the gas market in Europe.
- We are keen to see the development of Guarantees of Origin for all gases including low-carbon gases and these should be linked to the system outlined in the Renewable Energy Directive.

Existing gas infrastructure can in many cases be repurposed and be used for (i) the transport of renewable and low-carbon gases to consumption hubs and (ii) the transport of CO₂ back to the underground geological structures (where it came from originally); technology, pipelines, and sufficient geological structures exist to safely capture, transport and store CO₂ in perpetuity.

GasNaturally is a partnership of eight associations from across the whole gas value chain. Our members are involved in gas exploration and production, transmission, distribution, wholesale and retail operations, as well as gas in transport.

