



The new gas package: a snapshot!

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Timing

- 14 July 2021 - first part of the package – ‘Fit for 55’
- The Commission proposes to **revise seven interlinked pieces of legislation,**
- which are **central to moving towards a climate-neutral energy system**

- **15 December 2021 - second part of the package – on decarbonisation**
- > **‘4th package for gas’**
- **New Methane Strategy and a**
- **revised Directive on Energy performance in buildings]**

Relation between the 2 parts

- July 2021 package promotes the demand and production of renewable and low carbon gases, including hydrogen.
- December package enable the market to decarbonise gas consumption,
 - and puts forward policy measures required for supporting the creation of optimum and dedicated infrastructure,
 - as well as efficient markets.
- July and December package together remove barriers to decarbonisation
 - and create the conditions for a more cost effective transition , so
 -
 - More electrons and less molecules ?
- Note criticism that if the new proposals are adopted still have separate 'gas/hydrogen' and separate 'electricity' packages
 - -> frustrates effective sector coupling or ' Power to gas'.

- Commission's proposals ([regulation](#) and [directive](#)) create the conditions for a **shift from fossil natural gas to renewable and low-carbon gases, in particular biomethane and hydrogen**, and strengthen the resilience of the EU gas system.
- Aims: to **establish an EU market for hydrogen**, create the right environment for investment, and enable the development of dedicated infrastructure, including for trade with third countries [is EEA member a third country?]
- Rules for 'gas' including renewable/low carbon – overall rules essentially unchanged from 3rd package
- The new market rules will be applied in two phases, before and after 2030, and notably cover access to hydrogen infrastructures, separation of hydrogen production and transport activities, and tariff setting.
- A new governance structure in the form of the European Network of Network Operators for Hydrogen (ENNOH) will be created to promote a dedicated hydrogen infrastructure, cross-border coordination and interconnector network construction, and elaborate on specific technical rules.

4th Package/2

- New rules **make it easier for renewable and low-carbon gases to access the existing (natural) gas grid**, by removing tariffs for cross-border interconnections and lowering tariffs at injection points.
- Create a certification system for low-carbon gases, with the certification of renewable gases. This will ensure a level playing field in assessing the full greenhouse gas emissions footprint of different gases and allow Member States to effectively compare and consider them in their energy mix.
- **Long-term contracts for unabated fossil natural gas should not be extended beyond 2049.**
- **Consumer empowerment and protection** [mirroring the provisions already applicable in the 4th CEP for electricity markets] - gas consumers may switch suppliers more easily, use effective price comparison tools, get accurate, fair and transparent billing information, and have better access to data and new smart technology. Not clear how provisions on active consumers/energy communities apply to renewable/low carbon gases
- **Consumers should be able to choose renewable and low carbon gases over fossil fuels.**

4 th Package – Hydrogen

- Package aims to create a hydrogen market with fit-for-purpose infrastructure and cross-border coordination, including interconnectors, produced from renewables to the industrial customers that need it. Existing natural gas networks can be repurposed partially for transporting hydrogen, with significant cost savings compared to new-build infrastructure.
- Given the nascent and local nature of hydrogen production and consumption in the early phases, - must avoid the creation of natural monopolies.
- Separate chapter 4 with rules on the operation and financing of hydrogen networks, on transparency of gas quality parameters and hydrogen blends,
- Rules on the repurposing of natural gas networks for hydrogen transport, and on unbundling (all models in first phase - but only OU and ISO in second phase
- non-discriminatory network access (nTPA in first phase and rTPA in second phase.

Tariffs – see Recast Regulation

- Main changes [proposed](#) by the EC on tariffs, compared to current texts in 3rd package
- Hydrogen networks: no IP tariffs from 2031 on (Art. 6 Reg.)
- Specific discounts for renewable and low-carbon gases (Art. 16 Reg.):
 - **75%** for production points and storage points (with possibility of lower discounts at both types of points);
 - **100%** for IPs (incl. points with Third countries) and for LNG terminals
 - (+ need for an ITC mechanism if impact on TSO revenues above 10%)
- NRAs to provide a long-term assessment of tariffs until 2050 (Art. 17 Reg.)

Security of Supply and Solidarity

- Draft recast Gas Regulation sets out solidarity obligations [building on the Security of Gas Regulation (EU) 2017/1938] and extending its scope to cover new renewable and low-carbon gasses.
- Member States are encouraged to set up bilateral solidarity arrangements.
- An Annex contains the procedure, in the form of mandatory templates, for implementing a solidarity measure to be followed if no such technical, legal or financial arrangements exist between the requesting and the providing Member State.

4th Package/3 - governance

National network development plans should be based on a **joint scenario** for electricity, gas and hydrogen.

Aligned with [National Energy and Climate Plans](#), as well as EU-wide Ten Year Network Development Plan.

Gas network operators have to include information on infrastructure that can be decommissioned or repurposed;

Separate hydrogen network development reporting to ensure that the construction of the hydrogen system is based on a realistic demand projection.

Some open questions

- Absence of definitions of “renewable” and “low-carbon gases”:
 - *Methodology to define renewable and low carbon gases coming in 2024 as a DA. How to certify/issue Gos until then?*
- Voluntary discounts?
 - *Storage discount currently 50-100% (ex-ante). How does this provision interact with the new ones? Will storage get both (see now also latest EC Toolbox)*
- Cross-subsidisation: what is the impact of the new measures, do they *encourage blending over private/dedicated networks/other applications?*
- A new, heterogenous mixture of gas at offtake (or de-blending?)
 - Who is responsible for gas quality (purity, safety, blending tolerance,...)?

Nobody happy – criticism from all
sides!




The Gas Sector

Absence of
clear
definitions

Absence of
clear targets

Why change
rules on
unbundling?



The Regulators (ACER and CEER)

Why introduce tariff exemptions?

Are rules on cross-subsidisation clear – why allow x- subsidisation between energy carriers?

Clearer rules on horizontal unbundling: allow gas network operators to also become hydrogen network operators, subject to NRA approval and mandatory separate

Climate Activists

Package must facilitate a fossil gas phase out by 2035

and not drive the market uptake of so-called "low carbon" gases,

while pursuing a clear prioritisation of specific end uses for hydrogen produced from renewables

Does not avoid risk of an oversizing of future hydrogen grids and

does not take into account the phase out and decommissioning of gas grids.

Separating ownership of gas activities from hydrogen activities is a minimum prerequisite..

No blending of hydrogen into the gas grid does not achieve efficient greenhouse gas emissions savings

and allows for a continued use of fossil gas.

Introducing the 5% target or cap for blending hydrogen as a commercial practice should not be allowed.