Eurelectric voting list Hydrogen and decarbonised gas markets regulation

Eurelectric Voting List

February 2023

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal: D/2023/12.105/4

WG Power & Gas Interactions

Contact:
Alessandro ZAPPI – Policy Officer Wholesale Markets – azappi@eurelectric.org

Eurelectric Voting List Hydrogen and decarbonised gas markets regulation

Ahead of the ITRE Committee vote on the Hydrogen and Decarbonised gas market package (9th February 2023), Eurelectric is sharing the voting recommendations for the proposed regulation on the internal markets for renewable and natural gases and for hydrogen

DISCLAIMER – The document is not based on the final official EP voting list.

Key:

Symbol	Position
+	Support
-	Rejection

Compromise amendment	Eurelectric position	Justification
CA1: Separation of regulatory asset bases (covers Art 4; Rec 8)	+	Eurelectric supports adequate regulation in the gas package ensuring that the development of the energy infrastructure (including the repurposing of gas networks) is cost-efficient and not allowing financial transfers between regulated services that are separate. In particular, in terms of coordination with renewable and low-carbon generation development and the need to electrify the economy to reach decarbonisation and ensure energy independence. Eurelectric supports ACER/CEER recommendation to introduce an inter-temporal cost-allocation mechanism whereby a share of cost recovery would be shifted later in the future and be borne by later users of the hydrogen network, avoiding that 1st users may carry the entire cost of an "oversized" H2 infrastructure at inception. Such an inter-temporal cost allocation scheme should, however, be very precisely framed, in order to ensure cost efficiency and to prevent an overestimation of the future hydrogen users. Since these ideas are reflected in the amendment proposed, we suggest adopting it.
CA2: Third party access services, market assessment and principles of capacity allocation mechanism and congestion management procedures (covers Art 5, 6, 8, 9; Rec 13)	-	Eurelectric suggests rejecting this amendment. We believe it is important to have clear and transparent rules on tariff setting for hydrogen networks to reflect the cost of carrying H2 across the future EU "backbone" for network users. The current structure of a cross-border gas transmission tariff system is suitable for the development of the hydrogen market. In any case, setting zero cross-border tariffs at all interconnection points within the EU will certainly not be enough to develop the interconnected hydrogen market, for which significant

		investments will be needed in both hydrogen production and end-usage, as part of the indirect electrification process.
CA3: Tariffs, tariff discounts, revenues and transparency requirements (covers Art 15, 16, 17, 30; Rec 37, 38, 39, 40)	+	Eurelectric does not consider the reduction of network tariffs for the injection of renewable gases into the grid as the most important tool to facilitate the uptake of clean gases. Should a tariff discount be allowed by Union Law, a level playing field must be ensured and tariff structures tailored so that each grid user pays a price covering the costs it induces on the grid and that no disproportionate burden is imposed on certain categories of consumers. Therefore, Eurelectric supports the amendment.
CA4: Biomethane (covers Art 3, 17, 20; Rec 10, 14, 33, 44)	-	Eurelectric does not support the introduction of targets for renewable gas penetration. We think that imposing binding sub-targets for the development of renewable gases is not the correct way forward, since it risks further complexifying the legislation. Market participants should be free to choose, depending on their own national reality, what is the best way to reach the decarbonisation objectives. Furthermore, the choice of adding this target rather than others is questionable and we wonder if the Hydrogen and decarbonised gas package is the best place to address this issue (rather than the Renewable Energy Directive).
CA5: Provision of and access to information, new infrastructure, derogations, delegation and other final provisions (covers Art 58, 60, 62, 63; Rec 45)	+	Eurelectric does not see any problematic point in the amendments to these articles.
CA6: ACER (amendments to Regulation (EU) 2019/942 (covers Art 65) and Regulation (EU) 1227/2011 (covers Art 65)	-	Incorporating the provisions from the Council Regulation 2022/2576 concerning the production by ACER of the LNG price assessment & benchmark will translate into a long-term reporting obligation for undertakings. This will impose an additional reporting burden for companies, without being an efficient scheme. Therefore, the added value that this reporting obligation will bring is rather questionable. Not to mention that the idea of enshrining an emergency measure in the long term can set a worrying precedent for the future. In our opinion, it would be better to consider the option to extend the validity of the emergency measures set in the Council Regulation for another limited period rather than enshrining it into the Gas Decarbonization Package.

CA7: Security of supply (amendments to Regulation (EU) 2017/1938) (covers Art 67; Rec 68, 69, 71)	-	Similarly to CA6, Eurelectric does not support the proposed amendment since this will be an increased administrative burden for companies without a concrete benefit for the security of supply. Specifically, the transparency obligation set for natural gas undertakings or undertakings consuming gas to communicate their intention to enter into negotiations with natural gas producers or suppliers on the purchase, trade or supply of gas of a volume above 5 TWh/year is not sustainable bureaucratically in the long-term. We should first leave some time for this obligation to show its relevancy and whether it is effectively fit for purposes (i.e. strengthening SoS In the EU) before considering the option of enshrining it in the Gas Package. Suppliers should moreover not be burdened permanently with reporting obligations that are not truly necessary.
CA8: Firm capacity, cross-border coordination and hydrogen blends (covers Art 18, 19, 20; Rec 43)	+	The amendment recognises the necessity to limit the use of renewable and low-carbon hydrogen in the hard-to-decarbonise sectors, while the other sectors should be electrified. Additionally, the changes rightly underline that hydrogen blending should be seen as a last resort, and a transitional solution, in order to help the kickstarting of the hydrogen market. Indeed, as long as it is possible, hydrogen in pure form should be preferred.
CA11: Context, subject matter, scope, definitions and general principles (covers Art 1, 2, 3; Rec 3, 4, 5, 20, 22, 23, 25, 72)	+	The amendment rightly underlines the prioritisation of the use of hydrogen in the hard-to-decarbonise sectors (based on a cost-benefit analysis) and it is in line with the Eurelectric views concerning adequacy and security of supply. The deployment of renewable and low-carbon hydrogen must in priority be dedicated to replacing current uses of emitting hydrogen, in particular in industrial processes.
CA12: Distribution system operation and hydrogen network rules (covers Art 33, 34, 35, 36, 37, 38, 39)	-	Eurelectric is not supportive of the amendment since with regards to the European entity for distribution system operators, we call for keeping the current EU DSO Entity for electricity in its current scope. We recommend creating a separate European entity for distribution system operators who operate natural gas distribution systems, effectively cooperating with the other network entities at the European level, reflecting the fact that in future some DSOs may also operate hydrogen infrastructure in some instances. This reality is not reflected in the compromise amendment, so we suggest rejecting it.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: 4271427696-87