

Consultation on the Hydrogen and Gas markets Decarbonisation Package

A Eurelectric response paper

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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.

Consultation on the Hydrogen and Gas markets Decarbonisation Package

The Hydrogen and Gas Markets Decarbonisation Package is necessary to prepare the energy system for the challenges posed by the decarbonisation journey. The framework should be coherent with the energy efficiency first principle and the EU's acquis. Moreover, a pragmatic approach should be adopted regarding the contribution of a decarbonised gas sector to a carbon-neutral Europe.

Revised rules will prepare the gas market for its new dual role and set an adequate framework for the required investments. On the one hand, decarbonised molecules will be used in the hard-to-electrify sectors. On the other, gas can provide additional flexibility solutions when and where efficient for the energy system. The latter will be dominated by variable RES and require a broad panel of flexibility options for balancing needs across timeframe coming from inside and outside the power system. Our [Decarbonisation Pathway Study](#) foresees that the fossil energy supply will be gradually phased out and represent only ~5% of total energy supply by 2045. Moreover, gas will still account up to ~15% of total installed electricity generation capacity in order to secure system reliability, especially in regions that don't have access to hydro or nuclear, depending on national specificities and the changes in their generation mix.

The irreversible decline of fossil fuels (including natural gas) needed for the 2050 carbon neutrality objective requires further direct electrification and, where this isn't feasible or efficient, the use of other energy carriers such as renewable and low-carbon gases. Conversion of carbon-free electricity to produce renewable and low-carbon gases allows the decarbonisation of the hard-to-electrify sectors and will contribute to a more integrated energy system. Therefore, synergies between sectors, technologies and regulatory frameworks should be fostered to ensure a coordinated planning and operation of the energy system.

Renewable sources of energy should be promoted within RED II currently under revision, while the Gas & Hydrogen Markets Decarbonisation Package should enable an efficient integration of renewable and low-carbon gases into the market, on both commodity and infrastructure sides.

A resilient gas market, driven by the common objective of a decarbonised economy, will unlock the potential of a decentralised, digitalised and interconnected energy sector. Therefore we call to:

- Develop a clear classification and sound definitions of renewable & low-carbon gases, including power-to-gas fuels, taking into account the GHG emissions relative to their full lifecycle.

- Align the Gas/Hydrogen Package with the objectives of the Energy System Integration & Hydrogen Strategies and prepare the gas sector for deep decarbonisation by 2050.
- Tackle gas quality and interoperability issues to avoid market fragmentation which may occur with the emergence of new gases.
- Gradually develop a hydrogen market based on thorough and cost-effective scenarios reaching European and national targets, taking into account technological constraints. As suggested by the EU Hydrogen Strategy, the first priority should focus on decarbonising the current hydrogen production and develop a sustainable & liquid hydrogen market.
- Incentivise hydrogen production via electrolysis using adequate direct support and funds and a carbon allowances scheme that do not distort competition between technologies or energy carriers.
- Ensure a cost-effective, unbiased and future-proof approach to energy infrastructure development, based on the energy-efficiency first principle, considering the long-term target of climate neutrality and minimising the risk of stranded assets.
- Ensure a level-playing field and fair competition between flexibility providers and different energy carriers, especially with the review of network charges and the application of the same tariffication principles across the electricity and gas sector for storage and conversion activities.
- Align the rights of gas consumers with the framework provided by the Clean Energy Package.
- Clarify the definition and the role of power-to-gas installations as genuine market-based activities assets and insert them in a proper regulatory framework.

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



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