

Opinion of the European Committee of the regions — Energy package on gas, hydrogen and methane emissions

(2022/C 498/13)

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Reference documents:	<p>Proposal for a Directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen</p> <p>COM(2021) 803 final</p> <p>Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen</p> <p>COM(2021) 804 final</p> <p>Proposal for a Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942</p> <p>COM(2021) 805 final</p>

I. RECOMMENDATIONS FOR AMENDMENTS

Proposal for a Directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen

COM(2021) 803 final

Amendment 1

Recital 6

Text proposed by the European Commission	CoR amendment
[...] all market participants to take the transitional role of fossil gas into account while planning their activities to avoid lock-in effects and ensure gradual and timely phase-out of fossil gas notably in all relevant industrial sectors and for heating purposes.	[...] all market participants to take the transitional role of fossil gas into account to ensure that newly constructed natural gas infrastructure is fit for low-carbon and renewable gases to avoid lock-in effects during its depreciation period and ensure gradual and timely phase-out of fossil gas notably in all relevant industrial sectors and for heating purposes.

Reason

In order to increase the use of decarbonised gases, it is essential that investment plans for new gas infrastructure, including pipelines, LNG terminals and gas storage facilities, take into account the design and construction of the infrastructure in such a way that it is adapted to decarbonised gases from the start of operation.

Amendment 2

Recital 9

Text proposed by the European Commission	CoR amendment
<p>[...] However, low-carbon fuels (LCFs) such as low-carbon hydrogen (LCH) may play a role in the energy transition, particularly in the short and medium term to rapidly reduce emissions of existing fuels, and support the uptake of renewable fuels such as renewable hydrogen. In order to support the transition, it is necessary to establish a threshold for greenhouse gas emission reductions for low-carbon hydrogen and synthetic gaseous fuels. [...]</p>	<p>[...] However, low-carbon fuels (LCFs) such as low-carbon hydrogen (LCH) may play a role in the energy transition, particularly in the short and medium term to rapidly reduce emissions of existing fuels, and support the uptake of renewable fuels such as renewable hydrogen. Another important renewable fuel for meeting climate objectives is biomethane, which is relatively easily compatible with the current natural gas infrastructure (a drop-in fuel), and the EU has great internal potential to produce it. In order to ensure the development of the biomethane market, Member States should aim in particular to implement investments in line with the principle of biomass cascading with a view to a significant increase in the production of biogas and biomethane from existing waste in dispersed form in sectors such as agriculture, forestry and municipal management. The production of plants to be used exclusively in biogas facilities and the construction of biogas facilities that depend on the continued existence of intensive livestock farming should be excluded. In order to support the transition, it is necessary to establish a threshold for greenhouse gas emission reductions for low-carbon hydrogen and synthetic gaseous fuels.</p>

Reason

The development of the biogas and biomethane sector is important in the short term for a partial reduction of dependence on natural gas supplies from Russia, as well as for the development of local energy communities in sectors such as agriculture, forestry or municipal management, where waste can be transformed into a production substrate. However, it should be explicitly clarified that only existing biomethane may be burned. Producing plants to be used in biogas facilities and continuing intensive livestock farming solely for the purpose of obtaining biogas and biomethane to generate energy must be excluded as this would slow down the green transition.

Amendment 3

Recital 20

Text proposed by the European Commission	CoR amendment
<p>[...] Although electrification is a key element of the green transition, in the future there will still be household natural gas consumption including increasing volumes of renewable gas.</p>	<p>[...] Although electrification is a key element of the green transition, in the future there will still be household natural gas consumption including increasing volumes of renewable gas. In order to ensure that households are able to take up and use renewable gases, Member States, in cooperation with the European Commission, shall initiate a dialogue with market stakeholders on the technological availability of suitable appliances as well as the potential costs of their deployment.</p>

Reason

The developed decarbonised gas market will need to take into account retail customers: households and some SMEs. Without upgrading or purchasing new heating and cooling equipment, final customers will have technical difficulties or will not be able to switch from fossil fuels to decarbonised gases.

Amendment 4

Recital 108

Text proposed by the European Commission	CoR amendment
[...] supply and demand, transport infrastructure, quality of service, cross-border trade, investments, consumer prices, market liquidity.	[...] supply and demand, transport infrastructure, quality of service, cross-border trade, investments, consumer prices, market liquidity. Market transparency should also include a detailed determination of the costs of building new infrastructure for decarbonised gases in all Member States. Therefore, national regulatory authorities, in cooperation with national network operators, should make detailed economic calculations of future investment costs for the expansion of decarbonised gas infrastructure. This will make it possible to plan network development realistically, to identify the potential financing gap, and to ensure that tariff policies can be shaped to benefit both operators and consumers.

Reason

The cost of building infrastructure for decarbonised gases may vary considerably from one Member State to another. A local cost perspective should be taken into account in order to properly plan the development of the market for low-carbon and renewable gases.

Amendment 5

Article 4(3)

Text proposed by the European Commission	CoR amendment
[...] in the price setting for the supply of natural gas to energy poor or vulnerable household customers. Such public interventions shall be subject to the conditions set out in paragraphs 4 and 5.	[...] in the price setting for the supply of natural gas to energy poor or vulnerable household customers or protected customers as defined in Regulation (EU) 2017/1938. Such public interventions shall be subject to the conditions set out in paragraphs 4 and 5. In the event of a long-term significant price increase, interventions that fulfil the criteria set out in paragraphs 4 and 5 may be extended to a different customer group to avoid the negative consequences of energy poverty.

Reason

The EC proposal is too limited in the event of a sharp increase in prices. The amendment concerns the possibility to add categories of protected customers as defined in the regulation on security of gas supply (2017/1938).

Amendment 6

Article 8(11)

(New paragraph)

Text proposed by the European Commission	CoR amendment
	<p><i>11. In order to be able to demonstrate to final customers the amount of energy from renewable sources in the energy mix of a given supplier of renewable or low-carbon fuels in relation to the energy placed on the market provided to consumers on the basis of contracts, Member States shall ensure that guarantees of origin in relation to gas can be issued at the request of a producer of renewable or low-carbon fuels, in accordance with Article 19(7)(ii) of Directive (EU) 2018/2001, including biogas, biomethane, hydrogen, ammonia, methanol, and synthetic gaseous fuels; furthermore, it is essential that final customers are aware of the importance of the green transition and are informed with regard to the diversity of renewable or low-carbon fuels and their rights to request guarantees of origin.</i></p>

Reason

The development of a connected European market for low-carbon and renewable fuels will require the use of instruments to provide information on the origin of gases produced and supplied to final customers.

Amendment 7

Article 10(1)

Text proposed by the European Commission	CoR amendment
<p>[...] trading and balancing rules. In that regard, Member States shall take all measures necessary to ensure that administrative procedures do not discriminate against suppliers already registered in another Member State.</p>	<p>[...] trading and balancing rules and authorisations required pursuant to Article 7(2) by the regulatory authority of the Member State where the gas supply takes place. In that regard, Member States shall take all measures necessary to ensure that administrative procedures do not discriminate against suppliers already registered in another Member State.</p>

Reason

The requirement for suppliers to meet standards in Member States ensures security of supply for customers. The remainder of the provision ensures that such standards are not discriminatory.

Amendment 8

Article 26

Text proposed by the European Commission	CoR amendment
<p>[...] the renewable and low carbon gases production facilities are connected to distribution or transmission networks.</p>	<p>[...] the renewable and low carbon gases production facilities are connected to distribution or transmission networks, provided that they are considered beneficial on the basis of the national network development plans under Article 51. Member States shall ensure that the necessary mechanisms are in place to ensure fair and proportionate sharing of the costs related to the connection of new installations producing renewable and low-carbon gases.</p>

Reason

The introduction of compensation mechanisms is intended to ensure that costs are not unfairly passed on to other network users and to ensure a level playing field in the market. Only facilities that provide clear added value should be connected to distribution and transmission networks, as the long-term focus should be on the sustainable development of renewable energy, and in particular renewable electricity generation.

Amendment 9

Article 51(2), point (b)

Text proposed by the European Commission	CoR amendment
<p>(b) contain all the investments already decided and identify new investments which have to be executed in the next three years;</p>	<p>(b) contain all the investments already decided and identify new investments which have to be executed in the next three years, together with a detailed economic analysis, including the costs of constructing or upgrading existing infrastructure for low-carbon and renewable gases, and an indication of the existence of a potential financing gap in relation to conventional natural gas infrastructure;</p>

Reason

Long-term planning for the development of low-carbon and renewable gas infrastructure must include detailed cost planning. Leaving detailed economic issues under the sole responsibility of gTSOs and gDSOs may lead to difficulties in enforcing investment objectives.

Amendment 10

Article 72(4), point (f)

(New point)

Text proposed by the European Commission	CoR amendment
	<p><i>(f) to set up regulatory sandboxes to grant targeted and temporary exemptions from national, regional or local legislative frameworks for innovative investments in low-carbon and renewable gases. The establishment of such a regulatory test environment is intended to accelerate investments in low-carbon and renewable gases, in particular in Member States where those investments will not be fully compatible with the existing legal and regulatory framework, and could facilitate the subsequent adaptation of the regulatory environment to such investments.</i></p>

Reason

It is recommended that regulatory sandboxes be set up which will provide a temporary exemption from national, regional or local legislative frameworks for the implementation of innovative investments for which an appropriate legal environment has not yet been developed.

Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen

COM(2021) 804 final

Amendment 11

Recital 42

Text proposed by the European Commission	CoR amendment
<p>[...] While ensuring a harmonised approach on gas quality for cross-border interconnection points, Member States' flexibility as regards the application of gas quality standards in their domestic natural gas systems should be maintained.</p>	<p>[...] While ensuring a harmonised approach on gas quality for cross-border interconnection points, Member States' flexibility as regards the application of gas quality standards in their domestic natural gas systems should be maintained. <i>Guarantees of origin will be necessary to ensure a highly integrated, interoperable and transparent market for low-carbon and renewable gases, the amounts of which will increase in the natural gas system. The purpose of such guarantees will be to certify the source of gas production, as well as the carbon footprint generated, in order to ensure that producers and final customers can trade in a standardised manner and to document the CO₂ reductions achieved.</i></p>

Reason

Without guarantees of origin it will not be possible to certify the source of production and the carbon footprint of a given gas, thus preventing the implementation of climate policies and non-financial reporting.

Amendment 12

Article 43(1), point (c)

Text proposed by the European Commission	CoR amendment
(c) identify investment gaps, notably with respect to cross-border capacities.	(c) identify investment gaps, notably with respect to cross-border capacities, <i>as well as system connections with third countries from which low-carbon and renewable gases will be imported to cover the total energy demand of the European Union.</i>

Reason

In order to ensure production continuity in industrial sectors and the EU's energy security in the new market for low-carbon and renewable gases, the key planning point should be to ensure that the required volumes of hydrogen are imported from outside the EU in order to sustainably and safely cover the EU's total energy needs.

Amendment 13

Article 43(4)

(New paragraph)

Text proposed by the European Commission	CoR amendment
—	4. <i>To establish a correct, realistic and feasible Union-wide ten-year network development plan, ACER, the ENTSO for Gas and the ENTSO for Electricity should start a consultation process with national regulatory authorities on the costs of building or upgrading infrastructure for low-carbon and renewable gases as soon as this Regulation enters into force. This concerns in particular the precise planning of capital and operating expenditure for new assets such as hydrogen terminals, electrolysers, and hydrogen networks.</i>

Reason

See above.

Amendment 14

Article 60(1), point (b)

Text proposed by the European Commission	CoR amendment
(b) the investment contributes to decarbonisation;	(b) the investment contributes to decarbonisation <i>and ensures that the newly constructed natural gas infrastructure is designed to be capable of handling renewable and low-carbon gases from the start of its operational life, minimising the risk of lock-in;</i>

Reason

See above

Proposal for a Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942

COM(2021) 805 final

Amendment 15

Article 3

(New Article)

Text proposed by the European Commission	CoR amendment
—	<p><i>Assessment of the long-term potential of renewable gas sources as a basis for optimising the development of the transmission and distribution system</i></p> <ol style="list-style-type: none"> <i>1. Member States are responsible for assessing the production potential for biomethane at local level throughout their territory, as part of their national biogas and biomethane strategies. This assessment shall be carried out within two years of the entry into force of this Regulation. It may build on existing assessments;</i> <i>2. The scope of biomass taken into account in this assessment shall include raw biomass as defined in Article 2 of Directive 2018/2001 (including Annex IX) and meeting the EU sustainability criteria;</i> <i>3. At the design stage of the assessment, Member States shall consult the relevant regulatory authority and transmission and distribution system operators in order to determine:</i> <ol style="list-style-type: none"> <i>(a) the territorial unit within which the assessment of production potential is to be carried out,</i> <i>(b) for the scope of biomass assessed — geographical proximity to existing natural gas networks;</i> <i>4. When carrying out an assessment or expanding an existing assessment, and during subsequent updates, Member States shall consult regional and local authorities as well as transmission and distribution system operators. They may consult other relevant bodies.</i>

Reason

The assessment of the long-term production potential for biogas and biomethane is a prerequisite for cost-effective planning of grid reinforcements to accommodate increasing volumes of biomethane in gas networks.

Amendment 16

Article 3(3)

(New paragraph)

Text proposed by the European Commission	CoR amendment
—	<p>3. The European Union Agency for the Cooperation of Energy Regulators (ACER) together with the national regulatory authorities shall carry out a detailed calculation of the investment and operating expenditure related to the reduction of methane emissions in each Member State. The first calculation shall be completed by ... [12 months after the date of entry into force of this Regulation] and shall be updated every three years. The calculation of investment and operating expenditure shall be the basis for tariff and funding policy planning.</p>

Reason

Conducting methane leakage analyses, reporting methane emissions and implementing potential new investments leading to methane emission reductions should take into account systemic costs, which must not lead to a burden on the final customer or an increase in energy poverty regions.

Amendment 17

Article 10(4)

(New paragraph)

Text proposed by the European Commission	CoR amendment
	<p>4. The Commission, in cooperation with the International Methane Emissions Observatory, shall, by means of implementing acts, establish a Union-wide methodology for the monitoring, reporting and verification of methane emissions for the implementation of the obligations set out in Chapters 3, 4 and 5 of this Regulation.</p>

Reason

In order to launch a coordinated reduction effort on methane emissions, it is necessary to introduce a universal MRV methodology that is sector-wide and ensures that emitters can report transparently and in a comparable manner.

Amendment 18

Articles 12, 14, 17, 18, 25, 26, 27, 28, 29

Text proposed by the European Commission	CoR amendment
Articles 12, 14, 17, 18, 25, 26, 27, 28, 29	<p><i>Extension of the mandatory deadlines in Article 12 by 12 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 14 by 9 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 17 by 9 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 18 by 12 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 25 by 12 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 26 by 9 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 27 by 9 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 28 by 12 months.</i></p> <p><i>Extension of the mandatory deadlines in Article 29 by 12 months.</i></p>

II. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

1. stresses the need to protect consumers from high prices and to guarantee security of energy supply for them. This is particularly important in the current geopolitical context;
2. To achieve the objectives of the European Green Deal, of the 8th Environmental Action Plan and in line with the Paris Climate Agreement, taking energy security issues into account the Union should phase-out fossil fuels as quickly as possible, including natural gas, and achieve a highly energy-efficient and predominantly renewable-based economy. Therefore, there is the need to quickly establish a common framework for the phasing-out of natural gas;
3. points out that the roll-out of a hydrogen economy directly depends on the timely construction and conversion of hydrogen infrastructure. The implementation of multifaceted projects and initiatives in a dynamic environment requires an appropriate EU legal framework to ensure the necessary planning certainty for investments;
4. stresses that the increasing penetration of decarbonised gases should not affect the quality of gas for final customers;
5. draws attention to the need to carry out an analysis of the costs of infrastructure development in order to ensure an economically predictable energy transition. Additional cost studies may be needed for the development of infrastructure for decarbonised gases, as well as studies on the impact of this transition in the outermost regions, given their specific characteristics, which are duly enshrined in Article 349 TFEU;
6. calls for avoiding the creation of stranded assets. In particular, newly built gas assets should be designed in such a way as to ensure that they can co-incinerate or operate with high concentrations of decarbonised gases in the future;

7. recommends the introduction of regulatory sandboxes to ensure the development of an integrated market for decarbonised gases in the absence of sufficient sector-specific legislation at national level;
8. draws attention to the possibility of introducing guarantees of origin for low-carbon and renewable gases, which will ensure transparent trade on the market;
9. recommends the creation of a road map for the import of decarbonised gases into the EU in order to preserve energy security and meet future demand;
10. calls for the expansion of ENTSOG's remit to cover the development of a low-carbon and renewable gas market instead of setting up the separate ENNOH organisation for this purpose;
11. is critical of the proposed strict rules on the vertical and horizontal ownership unbundling of hydrogen networks. They contradict the goal of short-term and extensive investment in a hydrogen network that is built and operated efficiently from existing natural gas networks; therefore calls for the unbundling requirements established for power and gas to be maintained for hydrogen, in particular at the level of the distribution network; draws attention to the possibility of making the gTSOs responsible for the development of the hydrogen transmission network. Dividing the hydrogen transmission system operator into a separate company, independent from the gTSO, may not be beneficial in terms of the momentum of the energy transition;
12. calls for developing a substrate base for biogas and biomethane. Securing a supply of organic fuel will be important in order to make the most of the regions' potential for these gases; also calls for the production of plants for exclusive use in biogas facilities and the construction of biogas facilities that are dependent on the continued existence of intensive livestock farming to be excluded;
13. calls for an assessment of the long-term potential of biogas and biomethane production at regional level, on the basis of which it will be possible to identify the regional development potential of the decarbonised gas ecosystem;
14. recommends the establishment of a common methodology for monitoring methane emissions, which will allow the launch of coordinated efforts to reduce methane emissions in the EU;
15. points out that methane is only to be used as a fuel for co-generation units in exceptional cases and on a transitional basis;
16. recommends taking into account the cost of efforts to reduce methane emissions in the EU. The European Commission should take into account the necessary costs for Member States and plan aid funds that directly benefit final customers, especially in less developed regions and in regions with high heat demand;
17. calls on EU regulation to fully recognise and support the use of biogas also in transport, to reduce emissions from a life-cycle perspective. At present the production of biogas, but not the use of it in transport, are recognised as sustainable activities in the EU Taxonomy for sustainable activities;
18. points out that the powers of local and regional authorities vary across the European Union and that decision-making should take place at the level of government where it is most effective; considers that the legislative proposals in question comply with the principles of subsidiarity and proportionality.

Brussels, 12 October 2022.

The President
of the European Committee of the Regions
Vasco ALVES CORDEIRO
