

DECARBONISING GAS: A FIT FOR PURPOSE POLICY FRAMEWORK

Eurogas supports the long-term vision of a carbon neutral economy by 2050 and advocates for an energy transition that delivers secure, affordable and sustainable energy. Gas – natural, renewable and decarbonised – will be essential for the success of the energy transition. The challenge: how to create the necessary momentum for the decarbonisation of the gas system.

Decarbonising the EU gas system through a fit for purpose policy framework

- ✓ Provide investor confidence to scale renewable and decarbonised gas technologies.
- ✓ Leverage the gas infrastructure to support a just transition.
- ✓ Ensure tradability of renewable & decarbonised gas in a competitive market.

How to create investor confidence to scale renewable and decarbonised gases.

A predictable environment for innovation and investment in renewable and decarbonised gas technologies is necessary in order to generate investor confidence.

Set an EU level target for renewable and decarbonised gas. The establishment of a technology-neutral, binding EU-level target for renewable and decarbonised gas is essential. This target could be easily implemented at national level through the National Integrated Energy and Climate Plans.

Develop a harmonized framework for Guarantees of Origin (GO). Diverging regulatory conditions across the EU distort the market. A harmonized EU framework for GOs is necessary to ensure transparency and tradability across the EU. It should cover renewable and decarbonised gases and ensure they are distinguishable.

Provide access to funding. Private and public funding should be channelled towards the scaling and integration of renewable and decarbonised gases. Technology neutrality is primary to the definition of rules to determine which future investments should be considered sustainable.

Targeted support for renewable and decarbonised gas to reach maturity. This should include rural development funding for biomethane through the Common Agricultural Policy and explicit technology specific support, through competitive tenders for larger projects. Allocation of financial support to specific technologies should consider their impact on energy system flexibility. Gas contributes to the resilience of the energy system and will be needed to meet the carbon neutrality target. It facilitates the integration of variable renewable electricity and is absolutely necessary to balance its production. Electrification cannot alone deliver the energy transition.

Tackle methane leakage. Investor confidence will also depend on the assurance that methane leakages are being dealt with responsibly. Transparency and data availability will need to improve.

Leverage the strategic role of gas infrastructure in meeting carbon neutrality.

Decarbonised and renewable molecules and electrons are both needed to achieve carbon-neutrality, while guaranteeing secure and affordable energy supply and system security. Smart sector integration should promote the cost-effective interplay of existing energy infrastructure.

Achieving smart sector integration. It requires a level playing field between electricity and gas and transparency through a life cycle approach. The comparison of sustainable energies should consider their intermittency, flexibility and contribution to security of supply. The costs placed on the system by each decarbonisation option should be allocated to the part of the energy system that benefits. Power-to-gas provides flexibility to the electricity system. A transparent and sound process for joint Ten-Year Network Development Plans, with a strong involvement of Distribution System Operators could make an important contribution to a cost-efficient energy transition.

Scale carbon capture value chains. All options will be needed to reach carbon neutrality. This includes decarbonised gas – hydrogen from natural gas in combination with CCSU. Appropriate policies are needed that enable the transportation of CO₂ as a regulated activity, including in an offshore environment. National Regulatory Authorities should be given mandates to oversee such activities. The cross-border transport of CO₂ for offshore storage must be enabled.

Develop clear blending and technical rules. Clear rules are needed to facilitate the integration of renewable and decarbonised gas into the gas infrastructure, particularly hydrogen. To increase market uptake and maintain the interoperability of the EU gas infrastructure, technical rules should enable and foster the blending of hydrogen and methane.

How to ensure that renewable and decarbonised gas can be integrated & traded.

A competitive and liquid gas market will remain critical for EU industry competitiveness and to deliver affordability for EU consumers, but no longer enough. Effective market design is required to facilitate the integration and tradability of renewable and decarbonised gases to achieve climate objectives alongside competitiveness and affordability.

Clarify who can own and develop new technologies. The effective separation of networks from activities of production and supply will continue to be fundamental. Emphasis should first and foremost be put on creating the policy framework which supports the commercial development of renewable and decarbonised gases. Only if this framework is not delivering or the market is not reacting and developing autonomously following an open and transparent tendering procedure, a role could be envisaged for other interested parties. This includes the development, operation and ownership of these assets by network operators for a limited period, until a market test reveals market uptake. This time-limited role should be subject to appropriate regulatory oversight, to avoid any detrimental impact on existing and future competition. Clear principles are required to determine the degree of contestability and clear exit conditions must be defined. Regular market tests must be carried out to reveal if there is an interest by the market. In case Transmission System Operators or Distribution System Operators develop power-to-gas facilities, these should operate under Third Party Access.

Extend the regulatory framework to all gases, renewable & decarbonised. The integration of the electricity and gas sectors will require a degree of convergence in the approach taken for both infrastructure development and market design. For instance, to the extent that power-to-gas can offer balancing and security of supply services on the gas market, it should be able to compete with other gas flexibility sources, such as gas storage or gas interruptibility services.

Maintain a liquid and competitive gas market. The successful decarbonisation of the gas system will require a competitive, liquid and integrated single EU gas market. In some parts of Europe further progress should be made to implement the Third Gas Package and Network Codes. Specific measures targeted at local levels could be considered on an ad-hoc basis where there are proven structural constraints to competition and liquidity.