

# Eurogas recommendations on the Net Zero Industry Act proposal

May 2023

Eurogas welcomes the European Commission's (EC) ambition to increase the European Union's (EU) manufacturing capacity of net-zero technologies. This will help to meet the EU climate targets, ensure EU access to a secure and sustainable supply of those technologies, safeguard EU energy system resilience and contribute to quality job creation. For this to happen, **Eurogas calls for an open, inclusive and pragmatic approach that will enable the scaling-up of all decarbonisation options needed to achieve carbon neutrality by 2050, including renewable, low carbon gases, and CCUS technologies.**

## The relevance of the NZIA for Eurogas

Eurogas is a European association representing the gas industry and especially gases DSOs, wholesale, retail actors and transport users together committed to the development of a safe, sustainable and affordable market for renewable and low carbon gases. Committed to the climate neutrality, and more specifically to the RePowerEU target of 10 Mt of domestic renewable hydrogen and 35 bcm of biomethane production by 2030, Eurogas is determined to aid the uptake of the net-zero technologies' market and infrastructure.

Therefore, Eurogas firmly believes that the Net-Zero Industry Act (NZIA) **should create a level playing field for technologies and reap the full benefits of all European resources to decarbonise the EU economy in a fast and cost-effective way, to sail towards climate neutrality.**

## What should be maintained in the NZIA

### 1) The recognition of CCS as a 'strategic net-zero technology' and the annual CO<sub>2</sub> injection capacity target

Eurogas welcomes the strong and needed recognition of CCS within the NZIA. Indeed, its recognition as a 'strategic net-zero technology' under the Annex will allow CCS projects to benefit from the priority status towards EU and national authorities to fully unleash their potential for emission reductions while maintaining and enhancing the skilled technical workforce in EU. In addition, the annual CO<sub>2</sub> injection capacity target of 50 Mt per year by 2030 is also a positive signal for the industry, in line with Eurogas' DNV study estimates (i.e. 54 Mt per year of CO<sub>2</sub> stored by 2030)<sup>1</sup>. Indeed, this target will encourage such technologies to be deployed at scale in order to meet our climate target.

### 2) Faster permit-granting process for net-zero technology manufacturing projects and establishment of one-stop shops

The deployment of net-zero technologies has been and is currently hampered by lengthy permitting processes. Hence, ensuring efficient, simpler permitting processes and sufficient number of permitting and licensing are important to provide predictability and attract more investments in those technologies. Therefore, Eurogas supports the EC's efforts to develop a regulatory framework tackling permitting barriers by enabling Member States to designate one national competent authority to coordinate and facilitate permit-granting processes as well as the access to information.

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<sup>1</sup> [DNV study for Eurogas, European Carbon Neutrality: The Importance of Gas](#), 30 June 2020

### 3) The inclusion of gaseous alternatives in the 'net-zero technologies' definition

Eurogas acknowledges that the gas sector will need to transform rapidly by enabling the decarbonisation of the gas consumption through growing shares of renewable and low-carbon gases. The NZIA initiative confirms that gaseous energy will be an essential pillar of the decarbonisation of the EU, by including in the "net-zero technologies" definition several gaseous solutions such as renewable energy technologies, renewable fuels of non-biological origin technologies, sustainable alternative fuels technologies, carbon capture, utilisation, and storage technologies.

## What can be improved in the NZIA

### 1) The CO<sub>2</sub> stored in EEA countries should account for the CO<sub>2</sub> injection capacity target

While Eurogas welcomes the CO<sub>2</sub> injection capacity target, we believe that the NZIA should provide a more flexible framework in terms of CO<sub>2</sub> injection location. Indeed, according to IEA data<sup>2</sup>, in Europe, around 50 projects could be capturing close to 70 Mt CO<sub>2</sub> per year by 2030 around the North Sea in Norway, the United Kingdom, the Netherlands, Sweden and Denmark. However, storage projects from the full territory of the EEA will be important for achieving the objective. Therefore, besides ensuring and facilitating efforts to develop storage in all Member States, the NZIA should allow obligated parties to take into account their CO<sub>2</sub> storages located in all EEA countries.

### 2) A value chain approach for CCS and CCU

While Eurogas acknowledges the EC's efforts to incentivise CCS by introducing clear objectives for CO<sub>2</sub> injection capacity within the NZIA framework, we believe that a more value chain orientated approach would be valuable to deploy this technology. Hence, this framework should not solely focus on storage but also encourage the development of other parts of the value chain, including capture, gathering hubs and (cross border) transportation infrastructure needed for a successful deployment of CCS within the EU. Moreover, CCS and CCU infrastructure should be developed in synergy, considering that both require access to capture facilities and to gas infrastructure and transportation services. Not properly coordinating the entire value chain creates economic inefficiencies and even potentially a risk of assets being built but not put into operation in time. Therefore, clear policies and incentives available to all parts of the value chains are needed for their coordinated development. We therefore recommend that the Regulation explicitly recognises the need for a more value chain orientated approach when setting and delivering towards targets, matching ambitions for capture, transport, and storage.

### 3) Strong transparency of CO<sub>2</sub> storage capacity data

Eurogas welcomes the requirements on transparency of CO<sub>2</sub> storage capacity data, ensuring that Member States will make publicly available data on areas where CO<sub>2</sub> storage sites can be permitted on their territory. However, this transparency obligation should not solely apply to upstream license-holding companies as provided by the Regulation, but also to Member States which should take part of the overall goal of mapping CO<sub>2</sub> storage capacity on their territory, in the framework of a wider mapping initiative put in place and financed at European level, in order to provide the necessary information to the industry regarding the CO<sub>2</sub> storage potential within the EU.

Moreover, data from upstream licence holders should not be made available without the intermediation of a national regulatory authority, as it is already the case within some EU Member States. Indeed, this data should be treated as part of a clear process, ensuring safely data collecting and correct resources allocation. Therefore, Eurogas believes

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<sup>2</sup> [Carbon Capture, Utilisation and Storage, Energy system overview](#), September 2022

that the Regulation should provide an EU methodology to ensure a harmonised process which will provide the industry with clear and comparable data.

#### **4) EU Funding and regulatory framework**

As pointed out in the NZIA Staff Working Document, the total manufacturing investment needs for the 6 selected 'strategic net-zero technologies' is of about EUR 92 billion. While Eurogas welcomes the ambitious targets proposed by the EC, we regret the lack of details on the funding related to the achievement of those targets. Indeed, the considerable investments needed for developing those net zero technologies should not be underestimated and therefore should be clearly tackled within this framework. The achievement of the CO<sub>2</sub> injection capacity target depends on the implementation of supporting mechanisms, including an enabling regulatory framework, able to promote the investments of private entities in CCUS value chain.

In addition, the NZIA should not only streamline permit-granting processes, but also the EU funding procedures and make it more accessible to net-zero technologies related projects in order to support the uptake of significant volumes of renewable and low carbon energy needed. On top of that, EU funding should not only support innovative projects but also already well-established technologies which need decrease their costs to be deployed at large scale (e.g. CCS).

### **What should be added to the NZIA**

#### **1) The inclusion of a 35 bcm target of biomethane by 2030**

Eurogas welcomes the recognition of biogas and more particularly biomethane among the 'strategic net-zero technologies' as part of the Annex. This translates the EC's ambition to scale up their production in line with the REPowerEU targets. However, the NZIA is still missing concrete incentives, leaving the EC political ambitions for biomethane to ground zero. Indeed, recitals 5 and 17 should not solely mention the REPowerEU hydrogen targets, but also the biomethane objective, especially as this technology is part of the above-mentioned Annex. More importantly, the NZIA should include a clear binding requirement for biomethane production.

#### **2) The recognition of CCU as 'strategic net-zero technology' under the Annex**

CCU, together with CCS, technologies represent an array of solutions critical for the achievement of the EU climate and energy ambitions. They will notably support the realisation of EU hydrogen goals and represent a crucial outlet for CO<sub>2</sub> captured from all sources. Products and fuels from CCU technologies will displace fossil resources and lower EU GHG emissions. Therefore, CCU should be considered – along with CCS – in the list of 'strategic net-zero technologies' contributing to the European Net Zero goals. It will allow CCU projects to benefit from the priority status towards national authorities to fully unleash their potential for emission reductions and carbon circularity while maintaining and enhancing the skilled technical workforce in the EU<sup>3</sup>.

#### **3) Requirement on oil & gas entities should be conditional to CO<sub>2</sub> storage exploration licenses being available and to conditions outside their control**

As provided by the NZIA, Member States are required to make available data on the availability of CO<sub>2</sub> storage sites in their territory, but they are not obliged to make that capacity available, nor they are expected to organise exploration licenses rounds for new storage sites. On the other hand, hydrocarbon license holders are required to make available a certain capacity of CO<sub>2</sub> storage by 2030, regardless of that capacity being made available by national authorities in the first place. Obligation on oil & gas entities should be conditional on CO<sub>2</sub> storage exploration

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<sup>3</sup> [Joint letter calling for the recognition of Carbon Capture and Utilisation \(CCU\) as strategic net zero technologies in the EU Net Zero Industry Act](#), April 2023



licenses or field repurposing licenses being granted by Member States, with the deadline for entities to meet the requirement being extended if not enough licenses have been made available by Member States.

Similarly, there is not yet enough storage in depleted fields within the EU. Therefore, the permitting exploration of saline aquifers and other possible files for Member States should be increased.

Moreover, the regulation should consider that there are certain conditions outside the control of the upstream licence holder that must be verified in order to achieve the storage capacity injection requirement. Therefore, the obligation should be made conditional to the occurrence of specific conditions to be agreed with the upstream licence holder that is requested to meet the target.