GRTgaz contribution to the feedback on the revision of EU rules on market access – gas networks

GRTgaz welcomes the opportunity to provide its feedback to the combined evaluation roadmap related to the "Hydrogen and Gas Markets Decarbonisation Package" initiative.

Over the past years, our main priority has been to contribute to the creation of the European internal gas market, which progressively became more diverse, more secured and more competitive. Making our infrastructure futureproof to fully contribute to achieving climate neutrality in Europe by 2050 is the way forward while also representing a real paradigm shift for the gas industry and our company.

We are convinced that the gas infrastructure will remain a "strategic asset" for Europe and the cornerstone of the future energy system. While gaseous fuels will still represent 20% of the EU total energy consumption in 2050 from 22% today, the gas infrastructure will be transporting decreasing quantities of natural gas, making way for increasing quantities of renewable and low carbon gases, among which biomethane and hydrogen. These will be particularly necessary to decarbonise hard-to-abate sectors (e.g. high temperature heat and steam, chemical and steel sectors, heavy-road and rail mobility). In addition to energy efficiency measures, the combination of these gases with renewable electricity in a hybrid and integrated energy system will provide smart and cost-efficient solutions for achieving the EU decarbonisation objectives. With the scaling-up of intermittent renewable electricity production, biomethane today in combination with hydrogen tomorrow can provide an efficient storage and flexibility solution, as well as green resilience to the European energy system.

Such an energy system fostering sustainability, circularity of the economy and emissions reduction would emerge under specific conditions enabled by the legislation. Firstly, it would be fundamental to rely on the existing infrastructure that can be easily adapted. It will reduce construction period which is key to achieve the EU climate ambitions in the short timescale imposed by the climate emergency. Secondly, infrastructure shall be planned according to volumes growth and the needs of arbitrage in order to foster an open market benefiting from growing economies of scale from logistic activities. Furthermore, the energy policy shall take full advantage of the existing expertise and skills in infrastructure planning and energy market management to start as early as possible the network development for these new gases, to structure the industry and to develop potential synergies.

GRTgaz therefore strongly supports the overall objective of the European Commission "to ensure a suitable market framework" to support the achievement of an increased EU climate ambition in 2030 and to translate into legislative measures where appropriate the Energy System Integration and the Hydrogen strategies.

Rules for fostering hydrogen, gas infrastructure and markets

For hydrogen to become a commodity and a truly integrated part of the energy system by 2030, the main principles of a regulation at EU level need to be defined in the coming years.

In particular, strategic, technical and policy planning is essential to prepare the futureproofing of infrastructure and consumption applications for hydrogen, although a large network infrastructure is not immediately needed at European level.

The **future hydrogen market framework should be defined from the onset. It should draw on the key principles underpinning the Internal Energy Market for gas and electricity** with additional features that reflect the specificities of this nascent market:

- **A "target market model" compatible with electricity and gas models should be defined early** to avoid market fragmentation that would inevitably lead to additional costs in case of ex-post harmonization.
    - The **implementation of this harmonised target model and infrastructure access shall be done gradually** and be carefully crafted. **Exemptions shall be designed according to the respective market development stage** to accompany and support the development of the hydrogen market in its start-up phase. In particular, these exemptions shall ensure visibility for all players in the value chain (e.g. **network access arrangements need to be defined** consistently **with production and demand contractual arrangement**s based on **long-term contracts).**
    - Similarly to the existing provisions in the gas directive, **these exemptions shall be granted preferably at the Member State level according to the subsidiarity principle** to support energy policy implementation. NRAs should craft and allow these exemptions according to their assessment of the market maturity, possibly through an EU wide coordination (e.g. through Common Rules or guidelines established between regulators).

- **Third-Party Access to infrastructure in a non-discriminatory and transparent manner** could provide a sound and strong basis for the future hydrogen framework. Existing unbundling models (OU, ITO, ISO) have proven their efficiency in fostering the establishment of an open and competitive market for gas and electricity. It will be relevant to test such models to support the development of the hydrogen market.

- A **coordinated infrastructure planning between hydrogen, gas and electricity infrastructure**, especially to take into account the development of renewable gases, should start as early as possible. It will provide clarity to market participants and should be implemented hand-in-hand with the scaling up of the production and demand in hydrogen clusters.
    - **A close cooperation between the planning process for gas and hydrogen infrastructure shall be favoured both at national and European levels**, considering the pivotal role of repurposed gas infrastructure in providing an affordable and quick solution for the scale-up of hydrogen infrastructure. The processes developed by ENTSOG for Winter/Summer Outlooks, scenario development and TYNDP at EU level (and their national counterpart stewarded by TSOs at Member State level) provide a sound basis, which is inclusive for stakeholders and which benefits from a solid oversight by regulators (ACER and NRA respectively). This process has proven its ability

to support convergence between markets in a transparent manner. It is already being adapted for decentralised renewable gases production and repurposing of the gas infrastructure to hydrogen and can easily embark hydrogen stakeholders.

- **The coupling between gaseous infrastructures (hydrogen and gas) and electricity systems** shall be addressed to support a swift and affordable transition across the whole energy system. Here again the hydrogen infrastructure development can benefit from the already engaged work between ENTSOE, ENTSOG and ACER / European Commission for a coordinated planning. EU tools (ENTSOs TYNDP, TEN-E regulation) are already in place for this purpose and could be extended accordingly.

- **Considering the increased variability of gas quality induced by decentralised production of renewable gas and the interactions between hydrogen and gas**, GRTgaz is aligned with the EC that a **specific focus should be given to interoperability**. Within the hydrogen infrastructure, an adequate level of standardisation of hydrogen quality shall be developed to support trade of hydrogen across borders. A too strict requirement on hydrogen allowed in the network would restrict its production and hinder its development as a key element of the European energy market and will limit the possibility to re-use gas assets for hydrogen infrastructure. Moreover, the production of renewable gases in a decentralised way, together with the coupling between electricity, hydrogen and gas networks, might require gas network operators to better **steer gas quality across the network** to ensure interoperability needed to integrate renewable gases in the network.

  - Considering the necessary level of integration between gas and hydrogen infrastructure, be it regarding planning, market participant involvement, gas(es) quality management and integration with the electricity system (including power-to-gas needs to couple electricity and gas(es) networks), **GRTgaz considers that gas TSOs and respectively ENTSOG are better equipped to support the development of an integrated hydrogen and renewable gas approach**.

  - **In this sense, GRTgaz considers that gas TSOs shall have the possibility to own, plan, finance, build, operate, organise and provide non-discriminatory access to hydrogen infrastructure** alongside the gas infrastructure. This will ensure a smooth and market-based transition to low carbon and renewable gases.

Integration of renewable and low carbon gases in the existing gas infrastructure

GRTgaz welcomes the options the EC is considering to facilitate the integration of not only methane but also hydrogen derived renewable and low carbon gases into the energy system. In this respect, GRTgaz would like to highlight three policy priorities:

- **Political long-term outlook for renewable and low-carbon gases in the EU energy system is important**. It should recognize and value all environmental and economic benefits linked to renewable and low carbon gases production and uses. An unambiguous political support is indeed needed - provided that 'bioenergy is done

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right' under the right sustainability criteria - otherwise investors might shy away and prevent the EU from implementing valuable and affordable solutions for decarbonisation.

- **Clear definitions and an EU wide system for guarantees of origins for both renewable and low carbon gases are necessary**. This will give clarity to stakeholders willing to invest in these technologies. The use of renewable and low carbon gases by operators subject to ETS should be recognised as non-emissive in the ETS system, as long as these gases comply with GHG requirements and sustainability criteria.

- **The introduction of specific targets to foster the role of low carbon and renewable gases in the decarbonisation is important**. Based on our experience in France, we support Gas for Climate's proposal to introduce a 11% binding target for renewable gases in 2030. (Eurogas view is also interesting: a binding 20% greenhouse gas intensity reduction target in addition to an 11% EU-wide binding target on renewable gas by 2030). In hard-to-abate sectors such as heavy transport, heating and cooling and industry, specific targets should be explored.

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