BRIEFING FOR COMMISSIONER KADRI SIMSON

VISITS TO FLUXYS’ H2-READY PIPELINE AND PORT OF ANTWERP

LUNCH WITH CEOS

Fluxys’ H2-ready pipeline:

- Welcomed opportunity to visit this infrastructure project, as it is emblematic of the challenges and transition we face in the energy sector.
- Russia’s war of aggression against Ukraine has left us with no choice than to re-orient and diversify our gas supply and to reduce our energy consumption in record time. This is how the REPowerEU plan was born.
- Since February of last year, we have managed to reduce our reliance on Russian pipeline gas from over 40% to 12%, by tapping into the potential of our LNG terminals and thanks to reliable international partners such as Norway and the UK.
• Fluxys’ new pipeline will reinforce transmission capacity from the well-supplied Zeebrugge gas hub, in line with these new market developments and will help boost liquidity and security of supply in Belgium and other Member States.

• At the same time, we cannot neglect our responsibility towards combatting the climate crisis, even in times of war.

• Switching to hydrogen for hard-to-abate industrial and transport applications is a crucial step on our path towards a greener energy sector.

• At European level, we have been working tirelessly to create an enabling regulatory landscape for hydrogen infrastructure projects like this one and others.

• For the gas and hydrogen decarbonisation package, negotiations are ongoing and we are optimistic to adopt this package before the end of the year. The new market rules for hydrogen and renewable gases will provide the legal certainty and long-term
visibility required to attract much-needed investments into the
decarbonisation of the gas sector.
Port of Antwerp-Bruges:

- I am glad to visit the Port of Antwerp-Bruges today, as a major decarbonisation hub of tomorrow, with multiple projects on renewable hydrogen and carbon-capture, use and storage (CCUS).
- Renewable hydrogen will be an essential energy carrier in a decarbonised economy and the EU policy for renewable hydrogen has been developing rapidly in the last years.
- Since the adoption of the European hydrogen strategy in July 2020, the Commission has proposed comprehensive legislation on hydrogen which aims at making Europe the first region with a full-fledged hydrogen ecosystem with the objective to decarbonise our economy.
- The hydrogen regulatory landscape in the EU is starting to take shape and its outlines become more and more defined.
- With the adoption of the delegated acts on additionality and on the methodology to calculate GHG emissions, we clarified what can be considered as renewable hydrogen in the EU.
• These criteria will be supported by a well-established certification system based on voluntary schemes that has been used for more than a decade for certifying biofuels and biomass worldwide.

• At the end of March, the European Parliament and Council reached an agreement on the revised consumption targets for industry and transport: at least 42% of all hydrogen consumed in industry and at least 1% in transport will come from renewable fuels of non-biological origin.

• We are the first global actor to set such binding targets, once again showing global leadership. Working together at international level to convey this message is also important.

• Your active engagement in the Hydrogen Ports Initiative under the Clean Energy Ministerial is appreciated.

• A quick deployment of hydrogen projects as we witness it here in the Port of Antwerp will be fundamental for the success of the European Green Deal.
• Carbon-capture, use and storage is another key technology on the path to net-zero emissions and has been included in the Net Zero Industry Act.

• Our market monitoring shows that more than 80 million tonnes of CO2 could be captured annually already from 2030 when all announced projects are tallied up.

• The port of Antwerp-Bruges could play a crucial role as a hub for CO2 capture and transport infrastructure in Europe.

• The Commission is currently working on CCUS Communication to prepare the ground for an open and competitive CO2 transport market in the EU. To this end, the Commission launched an open public consultation and call for evidence. The deadline for feedback is 31 August.
DEFENSIVES

The Commission position on unbundling (i.e. no hydrogen production by gas TSOs) is slowing down the roll-out of electrolyser projects.

- The Commission considers that the current rules on the unbundling of gas TSOs, i.e. the prohibition against producing or selling natural gas, also extends to other gases that can be injected into the natural gas grid, including hydrogen.
- In the recent opinions on the certification of Enagas and SNAM adopted in the first half of 2023, the Commission clarified that an investment in electrolyser projects by gas TSOs is possible only in the form of passive minority investments.
- The gas package may eventually envisage a different approach to the unbundling of hydrogen networks. However, the articles on the unbundling of gas TSOs have not been formally reopened in the recast and are thus off limits for substantive changes.
- From a policy perspective, we believe the hydrogen production market will be competitive and fast in its development without the involvement of regulated entities like gas TSOs. Indeed, TSO involvement could distort this emergent market and discourage market entry by actors with less well-secured revenue streams.

Fluxys has put forward three cross-border hydrogen projects, but only two have been accepted so far. Why not the pipeline connection to Germany?

- The assessment of the PCIs is currently still at a technical level. We will only start to receive Member States feedback now.
- I understand from the preliminary finding of the PCI/PMI process that your Backbone overall is eligible, but that the connection to Germany did not get a positive sustainability (CO2 savings) value in the modelling done by ENTSOG for the Commission as input to the assessment of projects.
- We understand this is raised at the regional group by Belgium. Therefore, additional analysis will carried out and the and the eligibility will still be further discussed, in case the adapted modelling changes the sustainability value of the connection between BE and DE.
Background

1. **Hydrogen-ready pipeline by Fluxys**

Fluxys is building a first section of the pipeline between Zeebrugge and Brussels. It concerns the section between Desteldonk and Opwijk, accounting for a total length of 44 kilometres. This pipeline, accounting for an investment of EUR 135 million, runs parallel to an existing natural gas pipeline and was authorized by the competent authorities beginning of 2023. Completion of the works is scheduled for the end of 2023. The doubling of the pipeline increases transmission capacity from Zeebrugge by 15 Gwh/h, the equivalent of the energy production of 15 nuclear reactors.

But this pipeline is also the first concrete step in Fluxys' ambition to accelerate the energy transition. The pipeline is fully future-proof and can be immediately used for the transport of hydrogen. By using the same route, Fluxys optimises the use of (scarce) space and minimises the impact of the works on people and nature.

2. **Hydrogen projects in the TEN-E**

Trans-European Energy Network policy is a key tool of the EU to plan and develop cross-border energy networks, including pipelines, storage facilities, electrolysers, hydrogen terminals.

Since its entry into force last summer, the new TEN-E Regulation offers a framework for identifying cross-border hydrogen and electrolyser infrastructure priorities in Europe and along its borders. By being a ‘project of common interest’ or a ‘project of mutual interest’, a project can benefit from a priority status, accelerated implementation (including permitting), and in some mora rare cases, EU financial support.

Much in line with the rest of our policies on hydrogen, contribution to sustainability will be essential for hydrogen infrastructure categories (pipelines, storages, terminals) to becoming a project of common interest – along with contribution to market integration, security of supply, or competition.

The EU will have to be selective in the PCI process to choose only most relevant and urgent projects in view of creating an EU market. This will have to be a manageable number of projects on the list.
The 1st PCI/PMI process under the revised TEN-E started on 17 October with the 1st cross-sectorial regional group meeting for all infrastructure categories. The submission window for all the TEN-E categories was open from 18 October until 15 December 2022. The draft PCI/PMI regional lists are expected to be available by July 2023 after the technical decision-making body (Member States and Commission; taking place on 28 June). The final Union list of PCI and PMIs will be available by end November 2023 after the decision of the high-level decision-making body and adoption as a delegated act by the College. Following scrutiny by Council and Parliament, the list is expected to enter into force in Q1/2024. Projects selected would hence become eligible to apply for financial support under CEF as of the 2024 call.

3. Fluxys input to PCI-PMI process

Fluxys submitted the Belgian hydrogen backbone to the PCI/PMI process, which spans the whole Member States with connections to France (to Dunkerque terminal), Netherlands (from Gent and Antwerp to Southern Netherlands) and Germany (Antwerp to cross-border point Eynatten). It also connects three ammonia terminals (connection to Zeebrugge, 2x Antwerp). While the preliminary finding of the PCI/PMI process is that the Backbone overall is eligible, the connection to Germany did not get a positive sustainability (CO2 savings) value in the modelling done by ENTSOG for the Commission as input to the assessment of projects.

We have therefore considered the connection to Germany ineligible. This topic was raised by Belgium in the TEN-E technical decision making body on 28 June (energy attaches and Commission) and will still be further discussed.

4. Hydrogen and CCS projects in Port of Antwerp

Port of Antwerp brought seven leading chemical and energy companies together at the end of 2019 to reduce CO2 emissions. The consortium consists of Air Liquide, BASF, Borealis, ExxonMobil, INEOS, Fluxys, Port of Antwerp and Total. With the project entitled Antwerp@C the partners aim to cut CO2 emissions by investing in CCS and CCU. The project has the potential to reduce the CO2 emissions within the port by half before 2030.
Since Belgium does not have suitable geological formations, international collaboration will be necessary to transport the CO2 across borders and store it permanently in e.g. depleted offshore gas fields. For this purpose Antwerp@C is investigating the possibilities of transport to Rotterdam by pipeline or by ship to Norway.

**Antwerp@C CO2 Export Hub** is a subproject of Antwerp@C. It is set up as an open-access infrastructure to transport, liquify and load CO2 onto ships for onward permanent offshore storage. The Commission supports the project involving **Air Liquide, Fluxys Belgium and Port of Antwerp-Bruges** with €144.6 million under the Connecting Europe Facility for Energy.

**Kairos@C** is a CCS project established within the Port of Antwerp. It aims to create the first and largest cross-border CCS value chain in Antwerp to capture, liquefy, ship and permanently store CO2. The project involves **BASF and Air Liquide**. Captured CO2 will be liquefied via an export terminal located in the Port of Antwerp and transported by ship for storage beneath the North Sea. The export infrastructures in the Port of Antwerp will be built under the umbrella of the Antwerp@C consortium and will be operated on an open access basis. Kairos@C has received €356,9 million from the European Innovation Fund (EUETS).

**Ineos Inovyn** has a large chlorine production site at the Port of Antwerp, where they produce hydrogen as a by-product. They have signed renewable electricity contracts to make this hydrogen from ‘renewable sources’. **Ineos Project One** is a new project to produce plastics from natural gas (instead of oil) reducing the CO2 footprint by 50%. Large amount of hydrogen will be produced as a by-product, and used locally.

**Advario (together with Fluxys)** is planning an ammonia terminal, which would be connected to an ammonia cracker to convert it into gaseous hydrogen.

**Boortmalt** is a EU’s largest malt plant and will be connected to the Antwerp North Heat Network to provide heat to 3000 households, 7 schools and several public buildings.
5. Belgian hydrogen strategy

The Belgian hydrogen strategy from October 2021 (updated in October 2022) is composed of four pillars:

- 1 – Positioning Belgium as an import and transit hub for renewable molecules in Europe
- 2 – Expanding Belgian leadership in hydrogen technologies
- 3 – Establishing a robust hydrogen market
- 4 – Investing in cooperation as a key success factor

The strategy assumes that electrolyser capacity in Belgium will remain limited due to limited availability of renewable generation. Belgium therefore expects to import significant quantities of renewable H2-molecules and H2-derivatives (20 TWh in 2030 and between 200 and 350 TWh in 2050) to cover its domestic demand as well as the transit activities to neighbouring countries. To this end, Belgium plans to accelerate its H2 interconnection with Germany to be operational by 2028, with federal support of up to 395 million euros earmarked for hydrogen grids.

Due to its pioneering role in the hydrogen economy, Belgium has decided to adopt a hydrogen framework law already now with the minimal provisions necessary in the short term to kick-start the market, knowing that the Hydrogen and decarbonised gas market package will follow soon and may require adaptions to the Belgian law.

6. Belgian NECP

- BE received an EU Pilot letter on 9 June 2023 due to a failure to submit a biennial progress report by 15 March 2023 in accordance with the Governance Regulation.
- Since them, started to submit information on the dedicated E-Platform. However, to date, BE only partially submitted their progress report (NECPR).
- BE mentioned in the bilateral with DG ENER on the 31 May that the progress report delay is due to projections of scenarios (GHG reduction, RES and EE) that need to be finalized.
• BE pointed out in that meeting to quickly progress in the following weeks and expect similar timing of submission regarding the draft NECP and the NECPR (July).
Annex

Pascal De Buck, CEO of Fluxys

Pascal De Buck is Managing Director and CEO of Fluxys. He is also President of Synergrid (Federation of gas and power system operators in Belgium), Board member of ENTSOG (European Network of Transmission System Operators for Gas), Vice-President of GGC (Global Gas Centre) and member of the General Assembly, GIIGNL (non-profit organisation for the study and promotion of LNG related activities).

Pascal De Buck is a law graduate and joined the company in 1995 as Legal Counsel. He successively headed the Legal and Commercial departments and was before taking up his current positions Commercial Director and responsible for Business Development & Strategy.

Jacques Vandermeiren, CEO of Antwerp Port Authority

Jacques Vandermeiren is the current CEO of the Antwerp Port Authority (from January 2017). Before joining the Port Authority he was active at Elia, the network operator and listed company, where he held various management positions since joining it in 2001 and became CEO in 2012. Vandermeiren has occupied various directorships with among others Febeg (Federation of Belgian Energy Companies) and the Federation of Belgian Enterprises. He is currently an active board member of the dataplatform NxtPort, Kunsthuis Opera Ballet Vlaanderen and the Belgian coffee brand Vascobelo. He is also co-founder, and since May 2018 Chairman, of the Belgian sustainability platform The Shift, as well as co-investor in Qpinch, which generates energy from waste heat. Vandermeiren graduated as Master of Laws, a qualification which he later supplemented with a master's in European Studies, a middle management course with Vlerick Business School and an “advanced management Program INSEAD”.