Briefing for request CAB WOJCIECHOWSKI/53

MEETING WITH EUROGAS

Date: 29 JANUARY 2020, 14h

Place: Brussels, HoC Office

Contents

SCENE SETTER

You are meeting two Representatives of Eurogas, namely Philippe Sauquet, President of Eurogas and President Gas, Renewables & Power, Total and Dr. James Watson, Secretary General of Eurogas (see their profiles in the background).

The objective of the meeting is for Eurogas to present their vision on the role of gas – natural, renewable and decarbonised – in the energy transition and to discuss some policy recommendations.

The gas industry has been highlighting the role of gas in the future carbon neutral energy mix, where full electrification would, in their view, not be feasible. Therefore, they promote sustainable gas (renewable or decarbonised) as a viable solution in the energy mix.

Eurogas is an association representing the European gas wholesale, retail and distribution sectors towards the EU institutions. Founded in 1990, Eurogas currently comprises 48 companies and associations from 22 countries (see more in the background).

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TOPIC 1: Introduction- global policy trends.

KEY MESSAGES

- As stated by the new **President of the European Commission**, Ursula von der Leyen, the European Green Deal is our new growth strategy. It will help us cut emissions while boosting the economy and creating jobs.
- The challenge is to move towards and achieve **2050 ambition cost-effectively** by mobilising all synergies of the energy system, including via the smart integration of the electricity, decarbonised and renewable gases, heating, transport and industry sectors.
- Energy transition across Europe is a huge challenge and this is why we need to **use all available synergies** and energy carriers to achieve it.
- **Digitalisation of energy** can contribute to deliver the President-elect's twin objectives of the European Green Deal and the Digital Age, through synergies between instruments in both policy domains. We can only be successful if we contribute to the policies in both areas in a coordinated way.

TOPIC 2: The role of natural gas in the future energy mix.

KEY MESSAGES

- Natural gas will be part of the picture in the medium-term, as it is **less carbon-intensive** than either coal in the power sector or oil in the heating and cooling sector and because it can be a source of **flexibility** for the energy system.
- Looking beyond, in a 2050 carbon-neutral economy, natural gas consumption will go down significantly, and will represent only a few percentage points of our energy consumption[1].

[1] 3-4% of gross inland consumption in the 1.5TECH and 1.5LIFE scenarios of the Long Term Strategy.

- The gas market needs to be more responsive to the short-term functioning of the electricity market to be consistent with the 2050 ambition and the Clean Energy Package. To match the flexibility of the electricity market, to provide respective price signals and to respond to the changes in the energy mix – gas market needs to be more integrated across the EU and liquid and focus on short-term supply rather than long-term obligations.

- But above all, the gas market rules need to **encourage and foster decarbonisation** of the gas sector and facilitate entry of the **clean types of gases** to play an increasing role in the cost-efficient transition towards a climate-neutral economy by 2050.

TOPIC 3: The role of renewable and low-carbon gases in the future energy mix, including sustainable biogas production in agriculture.

KEY MESSAGES

- **Renewable and low-carbon gases** (in particular biomethane and hydrogen) will increasingly contribute to decarbonisation. Especially the production of hydrogen from renewable electricity offers a key opportunity for fostering smart sector integration, and in particular the coupling the electricity and gas sectors.

- The Long Term Strategy (LTS) scenarios which achieve GHG neutrality by 2050 (the 1.5 scenarios) project between 200 and 250 Mtoe of gaseous fuels consumption (which represents between 50% and 62.5% of today's consumption of gases), including an important contribution from carbon-free gases such as biogases but also from hydrogen (produced from RES electricity or with CCS/U) and synthetic gases as well as a - relatively more minor - role for natural gas.

- Renewable and low-carbon gases are covered and promoted under the **revised Renewables Directive** for the period 2021 to 2030 (REDII). This is done through a number of measures including a 14 % renewables target for the transport sector and a specific sub-target of 3.5% on advanced biofuels for which biogases from certain residue and waste-based feedstock can count. Furthermore, Member States will also be able to use gaseous recycled

carbon fuels (including renewable hydrogen) towards the 14 % transport target.

- From the point of view of agriculture, rural areas and the CAP, sustainable biogas production is an opportunity. It contributes to climate mitigation and the energy transition, growth and jobs in rural areas. Biogas contributes well to the achievement of the objectives under the European Green Deal.
- Through biogas production, farmers generate multiple economic, climate, environmental and social benefits.
- Biogas:

  - generates economic benefits for farmers by reducing costs in term of saved fuels and chemical fertilizers, and - new income– without changing the means of production;

  - valorise low value-added by-products to generate heat and electricity, and high-level nutrients fertilisers; and

  - Develop innovation and additional business activities inside or outside the farm, for example for greenhouses for vegetable production with cogeneration heat recovery or production of mushrooms or algaes.
- Biogas provide high-level nutrients for the crops replacing mineral fertilisers. (e.g. the production of biogas and digestate - from livestock manure) and improve farming systems' resilience.
- The biogas production has the potential to contribute to provide also socio-economic benefits by improving the living conditions of primary producers and of rural areas, creating new jobs as well as spurring innovation in the primary sector. However, in order to achieve this potential, primary producers need to play an active role, individually or within agricultural cooperatives in the value creation of this supply chains.
- Last but not least, the development of biogas production - as part of circular models of green bio-refineries based on grass - could contribute also to reduce EU dependence on proteins (by improving the efficiency of our protein use for feed).

- The current and future CAP provide the right support for the development of biogas production in local win-win scenarios.

TOPIC 4: Policy support for biogas through the CAP and other policy framework.

KEY MESSAGES

- The EU Energy and Climate policy and the Common Agricultural Policy provide the right framework for the development of biogas.
- The rural development policy supports the supply and use of renewable sources of energy, including by-products, wastes, residues and other non-food raw material.
- Under the CAP Rural Development Programmes for the period 2014-2020, investments (public and private) around EUR 2.6 billion Euros in renewable energy production and around EUR 2.8 billion Euros in energy efficiency have been committed mainly to investments for on-farm biogas production with the aim at improving the overall performance and sustainability of agricultural holdings, for example, biodigestors and/or any other type of on farm energy-producing facilities using crop residues - for own consumption.
- These investments have a significant impact on creating new green jobs in rural areas.
- As regards the proposals for the new CAP for the first time, the bioeconomy (bioenergy production is part of it) is included as one of the nine CAP specific objectives, namely to "Promote employment, growth, social inclusion and local development in rural areas, including bioeconomy and sustainable forestry".
- In the future CAP proposals, a new proposed approach aims to make the CAP support more performant and simpler for our farmers and for our society as a whole, offering greater flexibility for Member States, allowing them to better target/design/combine environmental and climate objectives in line with local conditions and specific needs.
- In this perspective, the new CAP constitutes real opportunities for the bioeconomy including biogas production.
- The specific interventions for biogas production will be accompanied by a significant support to farmers for innovation, knowledge transfer, sharing and adoption of the new technologies and the use of the results of research at national and regional level.

- There are various possibilities by which we could establish a stronger link between the interventions set out in the CAP Strategic Plan and the national Bioeconomy Strategy as a way to create real synergies and consistency and provide the right support for the intended bioeconomy model to develop.
- In addition, innovation and research is of key importance for fostering the development of renewable energy and in particular biogas production. In this respect, the Horizon 2020 research programme and the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP) are supporting projects in the context of bioeconomy which can deliver competitive products and services, and resilience to global economic and climate changes.
- Under the next Multiannual Financial Framework (MFF) 2021-2027 proposal, the Commission foresees that the budgetary amounts for research and innovation in food, agriculture, rural development and bio-economy - within the new R&I Framework Programme "Horizon Europe" - roughly doubles (10 billion EUR) compared to the current financial period. This will help tackling the substantial challenges ahead and represents an important opportunity for further developing our know-how in the bioeconomy area - where biogas is covered.

TOPIC 5: Smart sector integration and digitalisation in the gas sector.

KEY MESSAGES

Smart sector integration

- To achieve decarbonisation, the EU regulatory framework **must enable the smart integration of the electricity, heating and cooling, transport, and industry and agriculture sectors**. This will allow at the same time achieving higher levels of decarbonisation in the electricity sector and decarbonising sectors that are more difficult to decarbonise.
- Sector integration will boost the **direct electrification** of other sectors and a **better use of waste resources** but also facilitate the **decarbonisation of certain end-uses** via gaseous fuels produced from renewable electricity.

- Our **regulatory framework should enable and facilitate** the substitution process from natural gas to renewable and low-carbon gases such as hydrogen and biomethane and synthetic methane. The gas market rules would need to be fit-for-purpose to contribute to the objectives of competitiveness, sustainability and consumer protection.

- The Commission will present a smart sector integration strategy in Q2 of 2020 including an action plan and a timeline with relevant actions (legislative and non-legislative) that might be brought forward.

Digitalisation in the gas sector

- The Clean Energy Package has already set an ambitious regulatory framework when it comes to data protection, data management and cybersecurity. It will enable a European data-driven energy services market of direct interest to consumers, such as electro-mobility and smart homes. This however covered so far electricity.

- Over the next five years the Commission will focus on the implementation of this for electricity, at the same time we will also need to step up our efforts to drive investments in digitalisation of the whole energy system covering also the gas sector. This could further facilitate flexibility, consumer information and sector integration.

- Digitisation of the gas grids is essential for the secure monitoring and control the gas conditions in the pipelines and billing of various gas composition. This is particularly relevant when the green hydrogen will be blended in natural gas pipelines to a certain percentage.

- We expect also pure hydrogen also be used in the heavy-duty road transport and in industrial sectors, for example to replace coal in the primary production of steel. As for R&D during the last five years, the Horizon2020 Program has supported smart grid projects with almost 400 million euros in issues related to digital technology, such as cybersecurity, IoT, interoperability and Big Data for energy.

- While our focus has been around Smart Grids, in the new Horizon Europe R&I Program we will look at digitalization as a tool to accelerate and optimize the sector coupling & integration and go beyond electricity (i.e. through better modelling and infrastructure need analysis).

- Moreover, under the next Multiannual Financial Framework, the LIFE programme will include a new sub-programme dedicated to the Clean Energy Transition with a proposed budget of EUR 1 billion. This sub-programme

funding will aim at accelerating technology roll-out, digitalisation, new services and business models through capacity building and market uptake actions among the relevant market actors.

BACKGROUND

1. **EUROGAS**

Mission

Eurogas aims to strengthen the role of gas in the energy mix through ongoing dialogue with European industry players, global gas producers, and relevant institutions and organisations.

Eurogas promotes the smooth functioning of the European internal gas market, supports the EU's climate goals, and provides structured support to its members on EU policy issues

Vision

Our vision is for a robust European gas market that supports energy efficiency, carbon dioxide (CO2) emissions reduction and the development of renewable energy, while also encouraging competitiveness, enhancing security of supply and delivering benefits to customers.

Objectives

The overarching objective of Eurogas is to strengthen the role of gas in a sustainable and competitive EU energy market by:

- Helping to improve knowledge of gas and its use in Europe, including its performance and benefits.
- Supporting information exchange on gas issues of general interest with public and private players.
- Promoting the development of gas by supporting studies in legal, economic, technical and scientific fields.
- Promoting the smooth functioning of the internal gas market and, within its field of competence, any activity that may contribute to sustainable development in Europe.
- Taking position on relevant EU legislative and political issues vis-à-vis European institutions and other stakeholders.

2. **Profiles**

Philippe Sauquet, President of Eurogas and President Gas, Renewables & Power, TOTAL

The Eurogas Annual General Meeting on 04 July 2019 elected him as the President of Eurogas. Upon his election he declared that he supports the ambitious EU target of accomplishing the "climate neutrality" by 2050 and the main goal of the association will therefore be to promote gas as an indispensable complement to renewables and advocate for the fair share of gas in the EU energy mix."

Philippe Sauquet began his career in 1981 as a civil engineer at the French Ministry of Infrastructure. He subsequently worked at the French Ministry of the Economy and Finance.

He joined chemical company Orkem in 1988 as Vice President, Strategy before being appointed Senior Vice President, Acrylics Sales & Marketing.

He moved to Total in 1990 as Vice President, Anti-Corrosion Paints and was subsequently named Vice President, Chemicals Strategy.

In 1997, Mr. Sauquet transferred to the Gas & Power Division, where he was successively Vice President, Americas; Vice President, International; Senior Vice President, Strategy & Renewables; Senior Vice President, Trading & Marketing, Gas & Power, based in London.

He had been subsequently appointed as President of Gas & Power on July 1, 2012 and as President, Refining & Chemicals on October 22, 2014. He is also a member of the Executive Committee of Total.

Born in 1957, Philippe Sauquet is a graduate of France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées engineering schools and of the University of California, Berkeley in the United States.

Dr. James Watson, Secretary General of Eurogas (information taken from his appointment message by Eurogas)

The Eurogas General Assembly has appointed James Watson as the Secretary General of Eurogas on 1 January 2019.

From 2014 to 2019, James Watson has been the CEO of Solar Power Europe, a member-led association like Eurogas, based in Brussels and representing organisations active along the whole solar value chain.

James Watson worked previously in Brussels with the consultancy Weber Shandwick for seven years and prior to that was posted in Africa as a European Commission expert.