

Gas Distributors for Sustainability
66 avenue de Cortenbergh
1000 - Brussel/Belgium

Miguel Arias CAÑETE
Climate Action and Energy Commissioner

Mr Dominique RISTORI
Director General

Mr Klaus Dieter BORCHARDT
Director "Internal Energy Market" Unit

European Commission
200 rue de la Loi
1000 - Brussel/Belgium

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Object: GD4S' first contribution to the upcoming revision of the Gas Market Design Directive

Dear Sirs,

The **Gas Distributors for Sustainability (GD4S)** coalition brings together five leading gas DSOs in Europe: Distrigaz Sud Retele (Romania), Galp Gás Natural Distribuição (Portugal), GRDF (France), Italgas (Italy) and Nedgia (Spain). Together, they serve 26 million customers that represent the equivalent of 20% of the EU gas market. Moreover, 86% of the existing gas vehicles in the EU are used in Member States where GD4S coalition members operate.

Through this letter, we are pleased to share GD4S **preliminary proposals** to the upcoming revision of the Gas Market Design Directive. Our points are **fourfold**:

- ✓ setting up of an EU gas DSOs entity to deal with gas sector's specific issues;
- ✓ development of renewable gases as key element to achieve EU's climate and energy targets;
- ✓ energy policy making by applying the technology neutrality principle;
- ✓ reinforcement of the economic efficiency principle for operating, maintaining, developing the gas network.

1. EU gas DSOs entity

As a result of the ongoing digitalization and decentralization of the EU energy system, gas DSOs have become key enablers in improving energy efficiency, integrating renewable energy resources and ensuring security of supply. The new responsibilities played by gas DSOs will thus require to establish an institutional bridge and to guarantee a cooperation channel between EU institutions, EU stakeholders and EU DSOs. Therefore, GD4S supports the creation of an EU gas DSOs entity designed similarly to the electricity DSOs entity currently under negotiation. It asks nevertheless for a separate governance for several reasons:

- singularities of the gas distribution market;
- existence of different regulations for gas distribution and electricity distribution respectively;
- specific network codes;
- coherence with the current institutional architecture for gas and electricity TSOs (ENTSOG and ENTSOE);
- better gas network planning and operation coordination between gas DSOs and gas TSOs (by collaborating with ENSOG for example).

2. Renewable gases

Renewable gases are a key element to achieve the climate and energy targets of the European Union by 2030/2050 in both the European Union Strategy to reduce the greenhouse gas emissions by 2050, due for publishing in November

2018, and the revision of the Gas Market Design Directive, to be undertaken in 2020. To fully exploit its potential, GD4S advocates for the removal of the current barriers to the development of renewable gas by:

- adopting a clear definition for renewable gases: biomethane, syngas and renewable hydrogen according to the Renewable Energy Directive recently adopted (RED II);
- ensuring that Member States include development paths for renewable energies, and therefore also renewable gases, in their national integrated energy and climate plans in order to optimize the distribution of the investments needed to achieve the European energy and climate objectives by 2030;
- harmonizing at European level and based on the revised European standards (CEN/TC 234 and EN16723), the percentage of renewable hydrogen injectable into the gas DSOs' network (current national standards are 4% in Austria and in Switzerland, 6% in France, 10% in Germany or 2% if a CNG station is connected to the gas DSOs network downstream and 12% in Netherlands);
- allowing gas DSOs to support gas network connection costs and gas network reinforcement costs (such as reverse flow) to rebalance new renewable gases production plants business cases. These investments done by the DSOs should be recognized and properly paid in accordance with the DSO regulated retribution system in each country. Such incentive is already being implemented in France (40% of connection costs paid by gas DSOs) and in Germany (100% of those costs paid by gas DSOs according to distance connection conditions);
- adapting the criteria in order to allow Projects of Common Interest (PCI) to support renewable gases production plants in the framework of the Connecting European Facility. Such a change would be aligned with the Commission's vision in favor of green investments. Indeed, allowing PCIs to support local projects within the current financial allocation for natural gas projects, could lead to an exponential increase of biomethane production plants in Europe and would give a new reality to the concept of circular economy.

3. Observe the technology neutrality and energy efficiency principles

Drawing on past years experiences, GD4S strongly supports:

- strict compliance with the technology neutrality principle and energies complementarity within the energy choices-making. For example, on mobility sector, fueling heavy duty vehicles by renewable gases seems to be an appropriate solution regarding economic (total cost of ownership less than electric or hydrogen vehicles), environmental (80% of reduction in CO2 emissions compared to diesel) and social (substitution of diesel jobs and relocation of fuel plus vehicles production in Europe) aspects;
- reinforcement of the energy efficiency principle in the upcoming Gas Market Design Directive – given the inclination of some EU Member States authorities in the past years to question it partly or entirely– to ensure the optimization of investments for operating, maintaining, developing energy networks and therefore a fair cost paid by customers. All the measures mentioned previously need thus to be put in place in respect of this principle.

Thank you in advance for taking into consideration our proposals. GD4S remains available to discuss the above suggestions with you at any given time.

Yours sincerely,

Gas Distributors for Sustainability

