**From:** [redacted]behalf of RISTORI Dominique (ENER)
**Sent:** mardi 31 octobre 2017 15:11
**To:** MOVE-ENER MAIL
**Subject:** FW: IOGP's input to the current review of the Commission's modelling and scenarios
**Attachments:** IOGP_Letter_Final_31102017.pdf

For registration please

**From:** [redacted]IOGP [mailto[redacted]
**Sent:** Tuesday, October 31, 2017 2:50 PM
**To:** RISTORI Dominique (ENER)
**Cc:**

**Subject:** IOGP's input to the current review of the Commission's modelling and scenarios

***Message sent on behalf of*** [redacted]

Dear Mr. Ristori,

On behalf of [redacted], I have the pleasure to share with you the IOGP's input to the current review of the Commission's modelling and scenarios. We trust you find this useful for your work.

At the same time, we would welcome the opportunity to discuss any of these issues in detail with you and your team as well as to contribute to the process of reviewing the Commission's scenarios.

Have a great long weekend!

Kind regards,

[redacted]

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International Association of Oil & Gas Producers

Brussels, 31 October 2017

Dear Mr. Ristori,

The International Association of Oil & Gas Producers (IOGP) – which represents companies producing around 90% of Europe's indigenous gas – would like to share its input to the current review of the Commission's modelling and scenarios to ensure a holistic approach to the energy system:

1. **The future role of natural gas should be better recognised:** Natural gas will continue to be a flexible baseload fuel and thus the best partner for renewables. The share of variable renewables generating electricity is increasing. Rolling them out at scale will require flexible and reliable solutions to solve the problem of renewables' variability. Cleaner-burning natural gas is clearly the most flexible complementary fuel for variable power generation. In its study for the Commission, the Öko-Institut noted that the EU countries with power plants mainly fired by gas as well as a fair share of storage hydro power plants can be considered able to provide a high level of flexibility.[1] On the other hand, countries with a high share of nuclear and coal-fired power plants will need significant flexibility as soon as RES-E shares reach substantial levels.[2] **We therefore recommend that, in the upcoming scenarios, the Commission considers a greater share/role for gas (and a lesser one for coal), possibly through a specific scenario. This scenario should consider the challenge of essential flexibility in the frame of the EU climate and energy policy objectives.**
2. **The overarching goal of EU climate policy is to lower $CO_2$ emissions. An increased use of gas, as is already underway in the UK, is also a cost-effective and quick solution to meet emission reductions.** $CO_2$ emissions in the UK energy supply sector dropped by 18.7% in 2016, compared with 2015. This was due to less use of coal and greater use of gas.[3] The strategy developed by Germany, with the strong development of renewables, has not provided the same results, as emissions are still increasing.[4] It is also worth looking at the path the EU main trade partners are taking. For instance, in the US, coal-to-gas switching in the power sector was the largest driver to reduce carbon emissions, accounting for 33% of the emissions reductions in 2016.[5] **In the power generation sector, there is a clear correlation between coal use and the level of emissions (see annex 1).** Another example is China, which decided to stop the construction of coal-fired power plants in 15 regions.[6]
3. **Europe's gas infrastructure is key to making the energy transition affordable**: The well-developed gas infrastructure system, that is already in place in most EU regions and largely amortised, is essential for a smart coupling of electricity, heating and gas systems. This helps to meet the EU's climate and energy objectives at an affordable cost. While large-scale electricity infrastructure is yet to be built, the current gas infrastructure can already transport large amounts of energy efficiently. Gas infrastructure, with its huge storage capabilities and ability to transport natural gas produced in Europe, LNG or in the future renewable gases, can be used to foster the integration of renewable energy in Europe. Increased use of gas will also lower the cost of

[1] Study: Study on the impact assessment for a new Directive mainstreaming deployment of renewable energy and ensuring that the EU meets its 2030 renewable energy target. Task 3.1: Historical assessment of progress made since 2005 in integration of renewable electricity in Europe and first-tier indicators for flexibility Source: here

[2] Ibidem.

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604408/2016_Provisional_Emissions_statistics.pdf

[4] https://www.agora-energiewende.de/en/press/agoranews/news-detail/news/coal-power-is-on-the-decline-yet-emissions-have-increased-2016-was-a-year-of-mixed-success/News/detail/

[5] https://www.carbonbrief.org/analysis-why-us-carbon-emissions-have-fallen-14-since-2005?utm_content=bufferd757a&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

[6] https://www.scientificamerican.com/article/china-to-halt-construction-on-coal-fired-power-plants-in-15-regions/

* „Kosten der Energiewende", Düsseldorf Institute for Competition Economics (DICE), October 2016. http://www.insm.de/insm/Presse/Pressemeldungen/Pressemeldung-Studie-EEG.html

balancing electricity systems, stabilise the operation of electricity grids and reduce price volatility. Investments in CCS/CCU are continuing and the future reformation of natural gas to hydrogen will allow carbon-free use at scale. Thus, in the future, gas infrastructure can be repurposed in relation to hydrogen, allowing for cost-efficient deployment.

4. **Benefits of electrification should be properly assessed against its costs and environmental impact (e.g. a carbon footprint and life cycle assessment (LCA)):** Switching the energy currently transported by the EU gas system to electricity networks would require very high and complex investments into new electricity infrastructure. In contrast to the overhead power lines of the electricity system, the unobtrusive, "invisible", underground natural gas network can cope with high seasonality, higher energy volumes and higher peak consumption (up to 7-10 times higher than power lines). **For these reasons, we believe it is key to include balancing costs into the Commission's modelling and scenarios.**

5. **Finally, EU policy makers should evaluate the impact of all initiatives on vulnerable consumers and the risk of spreading fuel poverty:** Upward pressure on energy prices – and more specifically those of electricity – will continue as a result of efforts to decarbonise the energy system whilst maintaining security of energy supply. If energy prices climb faster than household income, more and more European households will find it difficult to pay their energy bills. Already, taxes, levies and network tariffs constitute the main elements in consumer electricity price, but these are generally 'hidden' from household consumers, who often bear the bulk of the burden of network upgrades and support schemes. Recent European Commission data show that on average, EU consumers pay three times more per kWh for electricity than for gas (post-tax), and double the price without taxes.[7] **The EU Survey on Income and Living Conditions (EU SILC) estimated that 54 million European citizens (10.8% of the EU population) were unable to keep their home adequately warm in 2012**[8] and this has certainly not improved. Energy poverty is a crucial aspect to be considered in the debate on the electrification of heating and cooling. We believe that immediate efforts should be put into the decarbonisation of the power sector itself at the lowest cost for EU households. Gas for heating is by far the best compromise of all current alternatives.

We trust that our views will be helpful in updating your modelling and scenarios, which we hope will include more gas in the energy system.

We would welcome the opportunity to discuss any of these issues in detail with you and your team as well as to contribute to the process of reviewing the Commission's scenarios.

Yours sincerely,

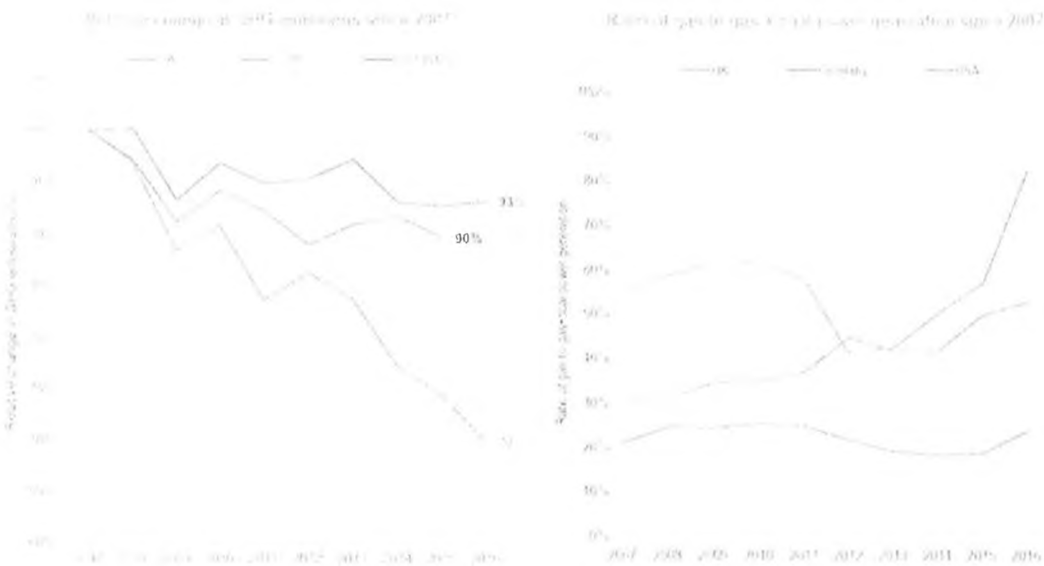
[redacted]

[7] Report 'Energy prices and costs in Europe', European Commission, COM(2016) 769 final. Figure 3 in this report shows that the energy component of average EU household retail electricity prices equals around 75€/MWh, and for industry – slightly over 50€/MWh (Figure 6). Figure 10 shows that the energy component of average EU household retail gas prices accounts for around 35€/MWh, and for industry – slightly over 25€/MWh (Figure 12).

[8] 'Energy poverty and vulnerable consumers in the energy sector across the EU: analysis of policies and measures', Insight_E – EC think tank, May 2015.

**Annex 1**

Power Generation sector: Correlation between coal use and emission reductions



Source: Germany BMWI, UK BEIS, USA EPA