Gas and hydrogen markets directive (common rules)

2021/0425(COD) - 15/12/2021 - Legislative proposal

PURPOSE: to lay down common rules for the internal markets in renewable and natural gases and in hydrogen.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the European Green Deal puts the EU on a path to climate neutrality by 2050, which requires significantly higher shares of renewable energy sources in an integrated energy system. Currently, natural gas represents 95% of the gaseous fuels consumed in the EU and accounts for 25% of the EU's total energy consumption. While the share of natural gas will decrease progressively, biomethane, synthetic methane and hydrogen are expected to become more relevant. However, these alternatives to natural gas face a number of regulatory barriers and are not covered by current energy security arrangements.

The present initiative, as well as the proposed recast regulation on the internal markets for renewable and natural gases and for hydrogen, aim to revise existing EU legislation and create a new framework for an internal hydrogen market to achieve a cost efficient clean hydrogen economy. In particular, it seeks to facilitate the penetration of renewable and low-carbon gases into the energy system, enabling a shift from natural gas and to allow for these new gases to play their needed role towards the goal of EU climate neutrality in 2050.

CONTENT: the proposed directive establishes common rules for the transmission, distribution, supply and storage of gases using the natural gas system. It lays down the rules relating to the organisation and functioning of that sector, access to the market, the criteria and procedures applicable to the granting of authorisations for transmission, distribution, supply and storage of gases using the natural gas system and the operation of systems. Moreover, it establishes rules for the progressive establishment of a Union-wide interconnected hydrogen system.

Customer engagement

For new gases to play a full role in the energy transition, the retail market rules should empower customers to make renewable and low carbon choices. Moreover, to be able to make sustainable energy choices, customers need sufficient information on their energy consumption and origin, as well as efficient tools to participate in the market. With this in mind, the proposal lays down the rights for the consumer such as basic contractual rights, switching rights and fees, and rules on comparison tools, active customers, and citizen energy communities. It also contains provisions on billing, smart and conventional metering, and data management.

It also contains provisions on single points of contact, right to out-of-court dispute settlement, vulnerable customers, and retail markets.

Hydrogen infrastructure and hydrogen markets

The current regulatory framework for gaseous energy carriers does not address the deployment of hydrogen as an independent energy carrier via dedicated hydrogen networks. The creation of a regulatory framework at EU-level for dedicated hydrogen networks and markets would foster the integration and interconnection of national hydrogen markets and networks. Barriers also exist for the development of a cost-effective, cross-border hydrogen infrastructure and competitive hydrogen market, a prerequisite for the uptake of hydrogen production and consumption. The present proposal seeks to address all of these deficiencies.

Renewable and low-carbon gases in the existing gas infrastructure and markets

The new rules intend to facilitate the access of renewable and low-carbon gases to the existing gas grid, by removing tariffs for cross-border interconnections and lowering tariffs at injection points. They also create a **certification system** for low-carbon gases. This will ensure a level playing field in assessing the full greenhouse gas emissions footprint of different gases and allow Member States to effectively compare and consider them in their energy mix.

Network planning

The proposal foresees that the national network development plans should be based on a **joint scenario** for electricity, gas and hydrogen. It should be aligned with National Energy and Climate Plans, as well as EU-wide ten-year network development plan. Gas network operators have to include information on infrastructure that can be decommissioned or repurposed, and there will be separate hydrogen network development reporting to ensure that the construction of the hydrogen system is based on a realistic demand projection.

Unbundling of distribution system operators

The proposed directive sets out measures concerning the designation of distribution system operators, their tasks, the decision-making powers regarding the connection of the new production facilities for renewable and low-carbon gases to the distribution system, the unbundling of distribution system operators, the confidentiality obligations of distribution system operators, provisions on closed distribution systems, and combined operator.

Security of supply and storage

To contribute to a timely response to energy crises at EU level, this proposal includes specific measures to improve cooperation and resilience, notably to ensure a more effective and coordinated use storage and operational solidarity arrangements. The measures are targeted to reinforce the resilience of the EU energy system against future shocks in a timely manner.

The measures proposed require Member States to explicitly make **storages part of their security of supply risks assessments at regional level**. The proposal also enables voluntary **joint procurement** by Member States to have strategic stocks, in line with the EU competition rules.

Lastly, measures are also introduced to improve the transparency and access to storages, address cybersecurity risks of gas and facilitate bilateral solidarity arrangements between Member States in case of crisis.