Gas and hydrogen markets regulation

2021/0424(COD) - 15/12/2021 - Legislative proposal

PURPOSE: to present an ambitious transition of the gas sector towards low-carbon and renewable gases by revising the internal markets for renewable and natural gases and for hydrogen.

PROPOSED ACT: Regulation 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 directive on common rules for the internal markets in renewable and natural gases and in 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.

CONTENT: this proposed Regulation sets non-discriminatory rules for access conditions to natural gas and hydrogen systems taking into account the special characteristics of national and regional markets with a view to ensuring the proper functioning of the internal market in gases. It facilitates the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in gases and provides mechanisms to harmonise the network access rules for cross-border exchanges in gases.

Objectives

The revised proposal includes objectives such as the setting of harmonised principles for tariffs, or the methodologies underlying their calculation, for access to the natural gas network, the establishment of third-party access services and harmonised principles for capacity-allocation and congestion-management, the determination of transparency requirements, balancing rules and imbalance charges, and the facilitation of capacity trading.

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.

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.

Measures were 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.

A new governance structure, called the '**European Network of Network Operators for Hydrogen**' (ENNOH) will be created to promote the development of dedicated hydrogen infrastructure, cross-border coordination and the construction of an interconnection network.