

Gas and hydrogen markets directive (common rules)

2021/0425(COD) - 17/02/2023 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Industry, Research and Energy adopted the report by Jens GEIER (S&D, DE) on the proposal for a directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen (recast).

As a reminder, in line with the REpowerEU targets, by the end of 2030, Member States should ensure collectively at least 35 billion cubic meters of sustainable biomethane. This would be produced and injected into the natural gas system, annually, with the aim of replacing 20% of Russian natural gas imports with a sustainable, cheaper and locally produced alternative.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Subject matter and scope

This Directive establishes a common framework for the decarbonisation of the gas market. To that end, it promotes the energy efficiency first principle, the integration of renewable gas and further energy system integration, contributes to the prudent and rational use of natural resources and to the achievement of the Union's climate and energy targets, and provides for fair attributions of costs and benefits as well as for a clear identification of responsibilities among market participants.

It also establishes:

- common rules for the transmission, distribution, supply and storage of gas using the natural gas and hydrogen system, and consumer protection provisions, with a view to creating a truly integrated, competitive, consumer-centred, flexible, fair, transparent and non-discriminatory gas market in the Union;
- rules for the transport, supply and storage of natural gas and the transition, including decommissioning and repurposing, of the natural gas system towards an integrated highly efficient system based on renewable gas and low-carbon gas where no more energy or cost-efficient alternatives are available;
- common rules for the transport, supply and storage of hydrogen using the hydrogen system;
- establishes rules for the progressive establishment of a Union-wide interconnected hydrogen system contributing to the long-term flexibility of the electricity system and to the reduction of net greenhouse gas emissions of difficult to decarbonise sectors where no more energy or cost-efficient alternatives are available with the highest greenhouse gas abatement potential per tonne of hydrogen used and thereby supporting to the decarbonisation of the Union energy system.

Decarbonising the gas market

The integration of biomethane in the natural gas system delivers on the EU's 2030 and 2050 climate targets. Therefore, grid connection requests of renewable gas production should be assessed in reasonable time limits and permitting procedures should not be hampered by the lack of administrative capacities. In addition, connection requests for renewable gases may be prioritised over connection requests for natural and low carbon gases.

Prioritising the use of hydrogen for industrial customers

According to the report, hydrogen should be prioritised in sectors that are hard to decarbonise in order to support the European industry's transformation and save greenhouse gas emissions.

Integrated hydrogen networks

Members stressed that hydrogen corridors as identified in the REPowerEU Plan should be supported by the corresponding dedicated hydrogen infrastructure, including hydrogen networks, hydrogen storage and hydrogen import terminals in order to meet the REPowerEU Plan targets for hydrogen production and imports by 2030.

ENTSO

Members proposed to reform the European Network of Transmission System Operators for Gas (ENTSOG) to also cover Hydrogen Network Operators. The new ENTSOG&H would therefore also be responsible for the **EU ten-year network development plan for gas and hydrogen networks**.

Fair tariffs and trading

The report noted that unlike in the electricity sector, natural gas consumer should be protected from rising tariffs when natural gas assets have to be depreciated, from cross subsidisation between gas and hydrogen users and rising gas tariffs with a shrinking customer base. The role of gaseous fuels for heating or cooling in buildings will decline in the future due to renewable alternatives, in particular electrification, district heating or thermal renewable energy.

The committee proposed that Member States should ensure that **liquid trading for gas** is subject to transparency obligations, in particular with regard to commercial contracts, and adequate price building mechanisms.

Member States should also ensure that household customers and, where Member States consider it to be appropriate, small enterprises, enjoy the right to be supplied with gas of a specified quality at clearly comparable, transparent and competitive prices.

Fuel switching

The report stressed that switching from gas to other renewable technologies is usually not as easy due to the lock-in effect related to the underpinning infrastructure. Mandatory fuel switches should be accompanied by measures that remove adverse effects on final customers, in particular vulnerable customers and people affected by or at risk of energy poverty, as well as measures that mitigate and resolve inequalities resulting from the energy transition.

Phasing out fossil gas

Members States should ensure the phase-out of fossil gas as soon as possible, taking into account the availability of alternatives. Member States may decide on an earlier end-date for the duration of long-term contracts for unabated fossil gas before the end of 2049.

Local heating and cooling plans

Member States should ensure that their regional and local authorities prepare local heating and cooling plans at least in municipalities having a total population of at least 35 000.

Consumer protection and empowerment

The report includes the concept of **vulnerable consumers and energy poverty** as well as a broader definition of energy security that reflects current challenges and requirements of energy system integration. Furthermore, **smart meters systems** in the natural gas system should only be deployed after a positive cost-benefit assessment. The provisions of smart meters systems in the hydrogen systems should only apply to industrial customers.