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Eurogas views on the Clean Energy Package



Eurogas is the association representing the European gas wholesale, retail and distribution sectors. Founded in 1990, its members are 44 companies and associations from 22 countries.

Eurogas represents the sectors towards the EU institutions and, as such, participates in the Madrid Gas Regulatory Forum, the Gas Coordination Group, the Citizens Energy Forum and other stakeholder groups.

Its members work together, analysing the impact of EU political and legislative initiatives on their business and communicating their findings and suggestions to the EU stakeholders.

The association also provides statistics and forecasts on gas consumption. For this, the association can draw on national data supplied by its member companies and associations.

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Introduction

An ambitious but largely coherent set of proposals make up the Clean Energy Package (CEP), in line with the objectives of the Energy Union. It potentially opens up the horizon for a more holistic approach to a decarbonisation strategy and affordable energy transition. At the same time, it reinforces energy market principles and puts customers at the heart of energy policy. Eurogas supports these aims that should be realised through a framework that is proportionate, flexible, cost-efficient and pragmatic. In this context, Eurogas considers that Member States should have more flexibility in reaching their CO₂ reduction targets.

The objective should be to ensure that Europe's customers and economy benefit from electricity, gas, and heat services on a fair, competitive and sustainable basis. Gas can make significant contributions to the reduction of CO₂ and the improvement of air quality. Gas-fired applications will back up, complement, and enhance the expansion of renewable energies, including renewable gases, and contribute to the challenges of energy storage. Gas has an essential role to play in delivering clean energy for all.

The market design parts of the package rightly focus on addressing the electricity market to remove distortions, improve its efficiencies, and capitalise on important technological developments. Some amendments, however, should be introduced. The energy efficiency and renewables proposals should be more strongly amended to recognise more explicitly the benefits of an holistic approach to a future-proofed energy system, accommodate the potential complementarity of developing gas technologies in the system and realise the energy efficiency potential of gas-fired applications.

Therefore, Eurogas views on issues touching on such aspects in the CEP fall into two broad categories:

Section 1

- The proposals on electricity market design in the recast Electricity Directive and Regulation are largely welcome, subject to a few detailed improvements, that Eurogas will propose in the form of suggested amendments. The ACER Regulation from the objective of strengthening cross-border trade is acceptable.

Section 2

- The proposals on energy efficiency, the energy performance of buildings and renewable energy show positive aspects but improvements are needed.

Below is a summary of our main points. The policy requests are supported by more detailed position papers*.

* Eurogas views on the Proposal for a Directive of the European Parliament and of the Council on the Promotion of the Use of Energy from Renewable Sources (Recast) (<http://www.eurogas.org/uploads/media/17PP084 - Eurogas views on REDII.pdf>), and Eurogas views on the Energy Efficiency Directive and the Energy Performance of Buildings Directive (<http://www.eurogas.org/uploads/media/16PP462 - Eurogas views on EED and EPBD.pdf>)

Section 1

The Recast Electricity Directive and Regulation

The proposals on Electricity Market Design are largely supported, subject to some detailed amendments. Therefore Eurogas would wish to see the overall approaches on market design maintained. It is especially welcome that

- regulated prices are to be progressively removed;
- other distortions in the electricity market will be effectively addressed, in particular the need for renewables generation to take on more of their own system participation costs;
- the potential of cross-border cooperation will be enhanced, contributing to a better functioning electricity market and security of electricity supply;
- the approach to resource adequacy will be clearer in future and an appropriate emissions performance standard has been proposed.

In the view of Eurogas, the present proposal goes in a good direction, and these aspects should be supported.

Also the proposals affecting the retail market are viewed positively. They should strengthen the framework that will enable all categories of consumers to manage better their energy consumption and be active in the market to the extent they want. Appropriate levels of customer protection are proposed, in line with current legislation, but with more explicit protection for vulnerable customers and fuel poor.

Eurogas would like to see the fundamental approach maintained, but will propose some amendments on detailed points. Eurogas also notes that further discussion will be needed on the extent to which electricity proposals require to be mirrored in gas legislation.

ACER Regulation

From the perspective of system users, Eurogas welcomes in principle the enhanced powers of ACER regarding cross-border and wholesale issues, where they are scoped for gas, as this may benefit future work on codes and market issues. Continuing stakeholders involvement is necessary.

Eurogas has taken note of concerns expressed by ACER/CEER about some changes to ACER's governance relevant to Article 20 that could impair regulatory independence. Eurogas would be concerned at such an outcome, as regulatory independence is a linchpin for trust in the market.

Section 2

Energy Efficiency Directive

Eurogas supports energy efficiency as a contributor to European competitiveness, greenhouse gas emission reduction, and customer empowerment. Adequate impact analysis is necessary before arriving at specific targets, to ensure that there are no unintended consequences.

- A non-binding indicative target is appropriate, complementary to the greenhouse gas emissions target, but allowing more flexibility to reduce greenhouse gas emissions in a cost-effective way. A binding target could have a negative impact on the ETS, and therefore slow the progress of the decarbonisation strategy involving higher costs for consumers. Coupled with the proposed improved governance, this non-binding approach would deliver the desired progress.
- The 2020 target should continue to be based on either primary energy consumption (PEC) or final energy consumption (FEC), and other options should not be introduced as this could lead to retroactive changes, affecting investment.
- The limit of 25% proposed for the counting towards the target is unduly restrictive especially since the targeted options include energy savings made before 2020, with an impact beyond 2020, and use of on-site renewables. This limitation would discourage long-term measures.
- The targeted use of energy efficiency measures to combat energy poverty are generally welcome, but they should be determined by Member States on a cost-benefit basis and should not be mandatory.
- Any obligation to install remotely readable meters and cost-allocation from 2020 should be subject to cost-benefit analysis.
- The Primary Energy Factor (PEF) should not be turned into a tool to promote the use of electricity, and therefore it should be based on the existing fuel mix, not what it **could** be in 2020, bringing it to at least 2.26 for electricity, in contrast to the reduction of the PEF from 2.5 to 2.0, currently proposed.

Eurogas will propose amendments accordingly.

Energy Performance of Buildings Directive

Eurogas supports a strategy of optimising decarbonisation of the buildings sector by 2050, but this should not become the focus of policy to the exclusion of emissions reduction in other sectors, such as transport or agriculture.

Any proposal for re-charging stations in buildings should not be limited to electricity but be broadened to alternative low carbon fuel, gaseous energy.

The definition of “energy from renewable sources” should include renewable synthetic gas, e.g. from power-to-gas processes.

Eurogas will therefore suggest modest changes to this proposal.

Renewables Directive

The recast Directive on the Promotion of Renewables provides for a timely, welcome opportunity to highlight the technical and market framework for deployment of renewable energy, including different types of renewable gas. Gas grids can carry renewable energy in the form of renewable electricity converted to gas, or biomethane, or other renewable-based and carbon-neutral gases and so can function as a basis for sector coupling in an integrated energy system. Gaseous energy as an (increasingly renewable) carrier can make a significant contribution to energy storage. More specific references to gas technologies are necessary to facilitate these opportunities.

The following are the suggestions of Eurogas to improve the Directive.

- The proposal to increase renewable energy sources in heating and cooling by 1% should not be mandatory as national circumstances will be very different one from the other, the best endeavour approach should be maintained.
- The 27% target should be indicative, and this will allow EU Member States collectively to reach carbon emission reduction targets using the most cost-effective options.
- The definition of renewable energy should include synthetic gas.
- The introduction of renewable gas to Guarantees of Origin is a positive step in the right direction. Given the immature state of renewable gas technologies Eurogas supports GO allocations to producers, even if they are under existing support schemes. This could be reviewed and adjusted if needed for the time period beyond 2030. RES producers receiving financial support should receive GOs (at their request) also given that GOs are not themselves of significant economic value.
- Sustainability criteria for biomass based energy is needed. However, added GHG emission saving criteria can be counter-productive for overall GHG emission reduction, if full system analysis is not accounted for. These criteria should allow for Member States discretion.
- Biomethane should be classified as a non-mature technology, and thus be eligible for support schemes.

Eurogas will bring forward amendments on the above points.