



IFIEC FEEDBACK ON “GAS NETWORKS - REVISION OF EU RULES ON MARKET ACCESS” PROPOSAL FOR A DIRECTIVE

IFIEC, representing energy intensive customers, welcomes and in many aspects supports, the European Commission's proposal for a Hydrogen and Gas Decarbonisation Package. We agree that renewable and low-carbon gases, including hydrogen, have an important role to play as we move towards a carbon neutral society. Their efficient and sustainable development can only be achieved through well-functioning gas markets and a reliable as well as cost-effective infrastructure. The ongoing situation in Ukraine and related consequences for European security of supply, further emphasize the need for rapid deployment of harmonized rules to ensure Europe moves together towards the common goal of a carbon neutral future, delivering efficient markets and adequate, cost-effective security of energy supplies. In that context IFIEC is happy to take the given opportunity to contribute a number of relevant aspects which will be helpful to facilitate the penetration of such gases, while at the same time safeguarding the competitiveness of European industry.

The aim of the legal framework under discussion should and must be decarbonization of the gas system and gas markets in a manner that is as fast, as efficient and as cost effective as possible. The industries represented by IFIEC have already embarked on the journey towards decarbonizing their processes and production and have realized notable GHG emission reductions. The definitions and framework laid down in the EU Hydrogen and Gas Decarbonisation package as well as other relevant legislation, lay the premises for the continuation of this process. IFIEC therefore stress the importance of the present framework being clear, taking into account the specificities of industrial users as feedstock users and making sure it does not unduly hamper the step wise decarbonisation that needs to take place.

For the industries represented by IFIEC it is important to convey three main messages

- Definitions matter by setting the stage for the decarbonization journey industries are now navigating. They as such need to be timely and carefully constructed so as to favour necessary step decarbonization investment decisions, rather than hamper them.
- Gas quality matters, for natural gas, renewable and low-carbon gases as well as for hydrogen, and must be duly taken into account, both with regards to its diligent management and possible adverse effects on end users.
- Geographical origin does not matter – ensuring a level-playing field for all low-carbon and renewable gas and hydrogen consumed in the EU, whether imported or produced domestically, is essential for the credibility and efficiency of the present legal framework.

With that in mind, IFIEC find it important to highlight, in chronological order, the following aspects:

1. Article 2, (10), (11) and (12):

IFIEC welcomes the consideration of low-carbon hydrogen, low-carbon gas and low-carbon fuels as technology neutral alternatives to renewable hydrogen, gases and fuels.

The definitions of the low-carbon alternatives are however incomplete as to the methodology to be employed and furthermore lack a clear reference point, i.e. a benchmark to which the 70% greenhouse gas emissions reduction should be applied. IFIEC call for a timely, clear, legally certain and stable definition to be included in the text of the Directive rather than in a subsequent delegated act. This is essential information, without which necessary investment decisions on decarbonization projects might prove difficult. The European certification scheme CertifHy¹ offers a technology neutral, intuitive and clear methodology that in IFIEC's opinion should be used as template. This would entail greenhouse gas emission reductions of 70% compared to the fossil alternative, i.e. production of hydrogen through steam reforming of natural gas (benchmark process with a current GHG footprint of 91 gCO₂eq/MJ). Alternatively, other qualified benchmarks can be considered.

2. Article 8:

According to Paragraph (2), *economic operators* shall be required to use a mass balance system in line with Article 30 (1) and (2) of Directive (EU) 2018/2001 to ensure that the GHG emissions savings from the use of low carbon fuels and low carbon hydrogen are at least 70% in accordance with the definitions in Article 2. IFIEC would like to underline that this provision should not exclude the existence of a parallel book-and-claim based guarantee of origin system for low-carbon gases, including hydrogen. It is furthermore urgent to get clarity on the alignment and co-existence of these two certification systems.

Clarification should be given under the definitions in Article 2 as to what is meant by economic operator. IFIEC further support that this provision applies not only for low carbon fuels and hydrogen produced in the EU, but also for imported volumes. For the sake of consistency, reliability and a necessary level-playing field between domestic production and imports, it is of essence that the same rules apply for all low-carbon fuels and hydrogen consumed within the EU.

According to Paragraph (3), economic operators shall be required to put in place an adequate standard of independent auditing to verify that the systems used are accurate, reliable and protected against fraud. For the same reason as stated above, we find it unfortunate that this paragraph, however, does not seem to apply also for imported volumes and related economic operators. We would ask that this is reconsidered.

3. Article 9:

The new, Paragraph (2) states that TSOs, DSOs or hydrogen network operators shall *where relevant* be required to publish technical rules in accordance with Article 9, in particular regarding network connection rules that include gas quality, gas odourisation and gas pressure requirements.

¹ <https://www.certifyhy.eu/go-labels/>

This formulation is in IFIECs opinion unfortunate. First, it is left open to interpretation what is considered “relevant”. This is information that is always relevant and should be available to users in a consistent and clear manner. Secondly, it should be so in a uniform way across member states to ensure operators must fulfill the same obligations and that users get access to the same information in all locations. As a general comment, IFIEC would like to highlight that questions of gas quality are of essence to industrial users who use gas as feedstock in addition to as an energy source.

4. Article 27:

(1) IFIEC supports that tariff discounts can be granted only if so provided by union legislation. This is important to ensure a level-playing field across Europe. Any tariff discount should be designed so as to minimize distorting effects on market signals and incentivize sound investments.

(2) A technology neutral approach is a forceful tool in order to ensure that the decarbonization of the European economy and energy system is as cost effective, efficient and rapid as possible. Imposing a ban on long-term contracts for unabated gas beyond 2049, explicitly goes against such an approach, with the unfortunate effects this might have on technological progress, investment and necessary step wise decarbonization processes. Furthermore, with a comprehensive, sound European legal framework setting the stage for the decarbonization process, such bans should not be necessary, since phasing-out of such contracts will then be market-driven.

5. Article 31:

IFIEC sees several challenges related to the provision in paragraph 4, allowing for negotiated third-party access to hydrogen networks prior to 2031. First, this is a clearly inferior solution to regulated third-party access in terms of ensuring efficient and non-discriminatory use of hydrogen infrastructure. IFIEC acknowledge the inherent risk related to the start-up period of hydrogen pipes and insufficient bookings to cover the costs but is of the opinion that this should be managed in a different manner and not at the detriment of sound third-party access principles with a proven track record of being the first-best solution.

Should negotiated third-party access nevertheless be implemented, it must be clearly defined how Member States shall ensure objective, transparent, and non-discriminatory criteria are employed. It should equally be detailed what measures regulator authorities must take to ensure network users are able to negotiate access to hydrogen networks.

6. Article 34:

IFIEC again must underline to what degree the issue of gas quality is essential to industrial users employing gas as feedstock (ammonia and methanol production) as well as for firing (e.g. resulting under or overheating, hot spots, damage to equipment, and possible increased pollution such as thermal NOx). Therefore, it is problematic that there seems to be no provisions for limiting access for renewable/low carbon gases in case of gas quality issues.

7. Article 35:
IFIEC welcomes the obligation of the TSO's to cooperate with DSO's as well as to ensure efficient gas quality management in line with applicable gas quality standards.
8. Article 40:
IFIEC would like to see Paragraph (2) rendered clearer as to whom is responsible for gas quality management in distribution grids. This should furthermore not depend on circumstances nor be at the discretion of regulatory authorities so as to provide for a level-playing field throughout Europe.
The mentioning of the DSO's access only to refuse connection requests that are not "technically feasible" presumably cover gas quality issues. This should be made explicit.
9. Article 46:
IFIEC ask that the wording is adjusted so as to clearly place the important responsibility for hydrogen quality management.
10. Article 48:
The scale-up of hydrogen use in industry is key to the energy transition. IFIEC as such welcomes provisions aimed at facilitating this. Avoiding administrative burdens on geographically confined industrial networks –where there only is a rather small number of connected customers - is especially important for maintaining the efficiency of existing integrated industrial clusters and for incentivising the utilisation of on-site production of hydrogen to reinforce industrial clusters.

It is IFIEC's opinion that the regulatory derogations given to geographically confined hydrogen networks should not be less than those for closed distribution systems (CDS) for natural gas in Article 44, and also apply to direct industrial lines within or outside the industrial area in question. Such industrial hydrogen networks or direct lines should also not be subject to the requirements of legal or ownership unbundling – unbundling of accounts is a milder means and achieves the aim of granting adequate TPA while avoiding unnecessary administrative burden for such small operators. The provision should furthermore, as for CDS for natural gas, be stable over time (not subject to any kind of sunset date) and depend only on the characteristics of the system and the limited number of exit points.
11. Article 51
IFIEC welcomes the provision for at least one, integrated ten-year network development plan per Member State. According to point (e), the ten-year network development plan shall, in particular be based on a joint scenario framework developed between the relevant infrastructure operators, including relevant distribution system operators, of at least gas and electricity. Hydrogen system operators should explicitly be added to this list, given the role of the hydrogen system in a future carbon neutral Europe.
12. Article 58:
IFIEC welcomes the addition of paragraph (11) that TSO's shall make public detailed information regarding the quality of gas transported in their networks.
13. Article 63:
IFIEC appreciates that unbundling is an important principle to ensure competition and efficient use of infrastructure. At the same time, care must be taken not to make it

more difficult to repurpose lines from natural gas to hydrogen, thus hampering the build-up of a hydrogen system. A balanced approach is as such asked for.