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Sustainability Growth Innovation*

Position Paper

SGI Europe Position on the Revision of the EU Gas Market Rules

18 June 2021

Brussels, 18 June 2021

SGI Europe welcomes the opportunity to submit its response to the European Commission's public consultation on the revision of the new EU Gas market rules. When revising the new EU gas legislation, SGI Europe is calling upon the Commission to ensure setting the foundation to develop both a sustainable gas sector and a low-carbon and renewable electricity market as this will be key to reach the climate-neutrality targets for 2050. Making this vision a reality will require an **all-inclusive approach where all types of low carbon and renewable energy sources are treated on a level-playing field and considers the strategic role of the existing gas infrastructure**. Low carbon and renewable gases will also play a key role in parallel to electrification.

In general, SGI Europe underlines that a further development of the electrification of the system is, especially when it comes to individual mobility (cars) and heating and cooling, an important and beneficial approach but will not be enough to meet the emission reduction targets if **not making use of low carbon and renewable gases**. This applies especially in heavy-duty-transportation and in some industrial processes and for the heating and cooling, where electricity will also not be sufficient enough and sustainable gas option should be considered in particular in urban areas where district heating and cooling systems play an important role.

As a general principle, SGI Europe supports that the decarbonisation process in the energy sector must be cost-efficient for all sustainable technology types. Therefore, sector integration and sector coupling must play a greater role in European energy policies. SGI Europe deems it as vital and important to make **stronger connections between the electricity and the gas sector as well as in other sectors such as heating, transport and industries**. In regards to the further development for a sustainable and efficient gas sector, innovative technologies such as **Power-to-Gas (P2G) will be the link to connect better the sectors together** and making **better use of decarbonised and renewable hydrogen** via electrolysis will be playing a role in the future too.

Here, aligning the hydrogen and gas regulatory framework with the objectives of the EU Green Deal is advised to gradually develop a hydrogen market based on cost-effective scenario. In this respect the **existing distribution gas infrastructure (DSOs) will likely play an important role**, especially in reaching the goals in a cost-efficient way.

Against this background, SGI Europe outlines below its policy recommendation that will enhance the development of both a sustainable gas sector and a low-carbon and renewable electricity market that will be key to reach the set climate-neutrality targets for 2050 under the EU Green Deal:

- It is essential to have a **European Framework and support scheme for low-carbon and renewable gases that will help to further increase the share of renewables**. The use of the existing gases infrastructure and the know-how/knowledge of gas DSOs facilitates this transition towards a green gas infrastructure (including Hydrogen) to reach the set goals within the EU Green Deal.
- SGI Europe also deems it as important to ensure that the revision will **be aligned with the currently revised TEN-E, RED II, EED, ETS and the revised Gas Directive and Regulation as well as the Hydrogen Strategy** adopted by the European Commission to ensure consistency and to avoid double legislations.

- **Cost-effective and energy-efficient principles give a key role to decarbonised and low carbon and renewable gases to achieve a carbon neutral transition.** As there are many ways to produce decarbonised and renewable gases, it is key for an efficient market to have simple and clear definitions, for instance between renewable character and GHG footprint.
- **Existing gas network operators have a clear expertise that must be used to for the introduction of hydrogen in present networks** and for the construction and operation of hydrogen networks. This is a key element for the introduction of an EU-wide framework for decarbonized and renewable gases in the gas directive that can accelerate the establishment of a European market for these gases.
- **Flexibility of energy systems is key to accommodate the growing intermittency of renewables** and ask for the possibility for all sources of flexibility of all energies to compete on a level playing field.
- Hydrogen is a key gas for the deep decarbonisation of the EU economy, for instance in heavy transport and the hard-to-abate industrial sectors as well as in the residential building sector. **SGI Europe calls here that the existing technical knowledge of gas grid operators for the construction and operation of hydrogen grids should be used for the expansion of a potential hydrogen infrastructure** since they are also capable of finding an efficient cross-sectoral system optimum.
- For SGI Europe, it lies at our heart to pave the way towards a just and fair transition that leaves no one behind in the decarbonisation process. **It will be therefore important to always maintain jobs in the gas sector and find appropriate way to up- and re-skill workers.** A positive effect from switching from fossil gas to low-carbon and renewable gas is that the qualification requirements remain largely the same.
- In the spirit of sector integration, **consumers of any energy carrier should be treated equally** (except for protection in cold winter for heating gas which might differ from electricity). The provision of additional (information) services to customers should be deliberate and not regulated.
- We need **regulation to ensure “competition in the market”**. A common approach is needed in which an EU legislative framework outlining key regulatory principles (such as neutrality of network operation, third party access, cost reflective and market compatible network tariffs, treatment of private networks) are set as networks that can represent natural monopolies.
- Finally, **SGI Europe would like to underline that a strong connection must be drawn between the future EU Gas Market rules and the adopted Smart Sector Integration Strategy**, especially in regards to district heating and cooling, which is a sector integration technology and a good example of circular economy as it allows thermal storage and recycles safely waste.