

## **EFET<sup>1</sup> recommendations on recast Gas Regulation provisions for discussion in final triologue**

### **Key messages**

1. **Abolish the zeroisation of tariffs at interconnection points in hydrogen networks and tariff discounts in gas networks** for renewable and low-carbon gases as the additional complexity does not justify the likely impact on uptake.
2. **Restrict demand aggregation exclusively to crisis situations and ensure joint purchasing remains voluntary**, to enable efficient market operation.
3. **Limit transparency requirements to tenders only**, not to bilateral negotiations.
4. **Provide flexibility for technological change** which may provide additional pathways to accelerate decarbonisation with existing assets.

### **Detailed comments**

#### **Articles 6 and 16(5)**

The development of markets in biomethane and renewable and low-carbon hydrogen should not be financed via cross-subsidisation either of tariffs or network investments. If additional support for the rollout of this market is found to be required, it should rather take the form of incentives for production and consumption (such as grants, contracts for differences, etc.) and/ or public funding for network construction.

The proposed scheme to offer tariff discounts for renewable and low-carbon gases does not reflect use of the physical system, discriminates in favour of imported rather than EU-produced gases, constitutes a form of cross-subsidisation (which will therefore distort signals for usage and investment) and may be unenforceable at interconnection points.

Inter-TSO compensation schemes in electricity have proved to be extremely complex, difficult to establish, and controversial. In gas, it would also represent a loss of sovereignty over revenue recovery and tariff setting that has previously been at Member State level. A common fund that can be used to promote infrastructure as it is also used to support production and consumption investments would be simpler and more transparent.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent 150 energy trading companies, active in over 27 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org)

**If provisions for discounts on capacity-based entry point tariffs from production facilities and entry-exit tariffs for storage assets are to be maintained, we at least recommend to:**

- **Delete Article 6:** Zeroisation of tariffs at intra-EU hydrogen IPs will make it more difficult to finance new infrastructure. Tariffs for hydrogen will be required once a solution is worked out that will prevent first users from paying from the entire grid, such as deferring revenue recovery until periods of higher throughput.
- **Delete Article 16(5):** Provisions on cross-border tariffs and how transmission services are charged, including discrepancies between booked capacities and volumes withdrawn from the single mass balancing system, should not be linked with how biomethane is traced for the purposes of Member States' renewable target accounting under RED II and III. It is important to recognise that molecules do not necessarily flow according to commercial transactions: TSOs will optimise grids through substituting gas flows. The claimed zeroisation of tariffs cannot refer to capacity bookings but applies only to a refund of a utilised level of capacity sometimes in a third system where no capacity booking was made. This process adds further levels of complexity to the operational design of the Union database and may be unenforceable EU-wide should NRAs decide to derogate themselves from it, leaving open the issue of the actual benefit of these discounts.

## Articles 5 and 7

New measures should be subject to impact assessments and due consultation with the market. We would welcome a clear indication of this intention if the scope of demand aggregation and joint purchasing is to extend to hydrogen and captured CO<sub>2</sub>.

**Temporary limitations for a fixed term on up-front bidding for capacity by any single network user at entry points from Russia or Belarus**, as introduced by the Council under the new articles 5(6) and 7(7), bear the risk of fragmented approaches amongst Member States considering a ban on Russian LNG. The proposed wording is ambiguous and could allow Member States to restrict network users who hold historic capacity agreements at entry points into the EU from Russia or Belarus, by preventing them from booking capacity elsewhere. Russian pipeline import volumes have reduced from 142bcma (2021), 62bcma (2022) to a current rate equivalent to 22bcma for 2023.

These proposals could make it more difficult for importers to replace remaining volumes and could introduce conflict with ongoing long-term contracts. Minor changes would retain the key intent of phasing out residual supplies from Russia and Belarus without creating inadvertent conflict. **We recommend the following amendments:**

- **Amend Article 5(6):** *Paragraphs 1 to 5 shall be without prejudice to the possibility for Member States to take proportionate measures to temporarily limit, for a fixed term, up-front bidding for capacity ~~by any single network user~~ at entry points from the Russian Federation or Belarus **in respect of incremental flows**, where this is necessary to protect their essential security interests and those of the Union...*
- **Amend Article 7(7):** *Paragraphs 1-6 shall be without prejudice to the possibility for Member States to take proportionate measures to temporarily limit, for a fixed term, up-front bidding for capacity ~~by any single network user~~ at LNG terminals for deliveries from the Russian Federation or Belarus, where this is necessary to protect their essential security interests and those of the Union...*  
***(iv) may be invoked in respect of new capacity bookings that enable incremental Russian gas or LNG flows.***

## Chapter II and article 67

We recommend the following regarding **the prolongation of the life-time of the AggregateEU platform or the establishment of a mechanism for the joint procurement of strategic stocks by TSOs/ other centralised entities, as well as their extension to hydrogen and CO2 captured in industrial installations**, either under Chapter II or Article 67:

- **Voluntary mechanism for the joint procurement of gas:** The joint procurement mechanism has not been demonstrated to deliver greater availability of gas at lower prices than market conditions, and therefore does not justify the cost of maintaining the platform. **Its use should therefore be limited to emergency conditions when markets are unable to deliver the required gas.** Similarly, demand aggregation has proved to be an unnecessary burden when companies have no intention to source gas through the platform and should be voluntary only.
- **Transparency and Information Exchange:** This proposed addition in European Parliament text requires six weeks' notice of an intent to enter into negotiations or intent to conclude a supply contract. **This is a limitation on commercial parties' ability to contract freely and respond quickly to changing market circumstances.** It should be deleted in respect of bilateral negotiations though could be retained for tendering in conditions of a declared emergency.
- **Solidarity:** Proposed measures by ITRE are highly detailed whereas in an emergency situation solidarity will be politicised between the countries of provider and receiver of solidarity. **Inclusion of specific terms is unlikely to cover all circumstances and may limit the set of actions that could be needed.** More general powers to act with appropriate consultation can be better coordinated with activity undertaken by commercial enterprises to provide solidarity.

- **Intra-day volatility management mechanism:** Restrictions on pricing and the ability of market parties to respond to in-day events are more likely to damage liquidity by driving transactions off exchanges. Suspected manipulative behaviour is monitored and investigated under existing legislation and exchanges at liquid hubs already have procedures in place. **Further regulation is unnecessary and should not be included.**
- **Certification of origin of supplies coordinated through demand aggregation/ joint purchasing:** Suppliers procuring gas which is matched at a VTP are not able to provide evidence of origin of gas sourced at/ exchanged at the VTP. **This requirement risks making the mechanism ineffective.**

## Article 19

As experience is gained in managing gas blends in natural gas grids, and new technological solutions develop, TSOs should be free to agree higher proportions of hydrogen than the suggested level of 3%, thereby allowing greater flexibility and faster growth in hydrogen uptake.