



OPINION

European Economic and Social Committee

Revision of the third energy package for gas and measures for methane emissions reduction

Proposal for a Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector and amending regulation (EU) 2019/942
Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast)
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
[COM(2021) 805 final/2 - 2021/0423 (COD)
COM(2021) 804 final - 2021/0424 (COD)
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TEN/762

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Plenary session No	569
Outcome of vote (for/against/abstentions)	184/2/2

1. **Conclusions and recommendations**

- 1.1 After the Russian invasion of Ukraine and the subsequent sanctions against Russia and Belarus, the EU is on a fast track to adapt its energy policy, especially where natural gas is concerned. The European Commission presented the communication "REPowerEU" on becoming independent from Russian fossil fuels by 2030, with the first big steps already planned for 2022. The EESC generally supports this challenging approach and recommends that the Commission draft an updated proposal for this gas market package in order to reflect the new situation.
- 1.2 The EESC welcomes the European Commission's intention to accelerate the transition to renewable gases, which is urgently needed because of continued climate change. Their use should be focused on sectors that are hard to decarbonise or when no alternative technology solutions are already available, such as the direct electrification of end uses.
- 1.3 The proposal defines the gas and the hydrogen system as two separate systems. The rules set out in the gas package would mean that the requirements are very different. The EESC believes that different and restrictive requirements to the two systems are unproportional. The potential synergies in the joint development, operation and maintenance of the two systems through common regulation should be realised.
- 1.4 The EESC believes that renewable gases should be fully tradeable in the Common Market. Therefore, a uniform EU-wide system for gas quality and sustainability standards should be introduced from the outset.
- 1.5 The EESC underlines the special role of biomethane in developing a larger supply of renewable gas, for the circular economy and for regional value added. This would also benefit sustainable agriculture, by reducing GHG emissions.
- 1.6 Fossil methane emissions are under-reported. The EESC is well aware that most methane leakage occurs outside the EU and for this reason, implementing an EU methane performance import standard is necessary in the regulation.

2. **Overview of the European Commission's proposals**

- 2.1 The European Commission's three proposals from December 2021 are part of the "Fit for 55" approach to accelerate the reduction of greenhouse gas emissions by 2030 and progress along the pathway towards climate neutrality by 2050. The aim is to adapt the EU gas market rules for the transition to renewable and low-carbon gases and to expand these rules to cover an EU hydrogen market.
- 2.2 The last time the regulatory framework for a common gas market was substantially adapted was 2009. So far, the main focus has been on regulatory issues relating to efficiency, trade, networks, competition and consumer information. This is now being radically expanded to include rules governing the transition to renewable energies.
- 2.3 Preference is given to renewable, negative-, zero- and/or low-carbon gases on the market.

- 2.4 An internal market and network for hydrogen will be set up and developed in line with the rules for the EU gas market. However, the Commission proposes that the existing gas network and the future hydrogen network must not be run by a single operator. This proposal will apply even if an existing gas network operator also develops a hydrogen network (so-called horizontal unbundling).
- 2.5 Moreover, a regulation on methane emissions reduction in the gas sector is being put forward for the first time. This will turn the EU methane strategy's aim of monitoring and reducing the energy sector's methane emissions into specific rules.

3. **Need for an update after Russia's aggression against Ukraine**

- 3.1 The Russian invasion of Ukraine is causing immense sorrow to the people of Ukraine. Their civilian and military resistance must be supported. As a consequence of the sanctions against the Russian Federation and Belarus, the energy policy of the European Union should be revised, especially with regard to natural gas imports from Russia.
- 3.2 In March 2022, the European Commission outlined a new plan to become independent of Russian fossil fuels by 2030, called "REPowerEU". It will be extremely challenging for the European economy and society to reduce the demand for Russian gas by two thirds by the end of this year. The communication addresses many new priorities on energy security, gas storage, energy prices and biomethane that are related to the gas market package of December 2021. A mandatory instrument for increasing the use of renewable gas including biomethane should be discussed.
- 3.3 For a coherent gas market policy, the EESC recommends that the Commission draft an updated proposal for this gas market package. This should include a proposal to accelerate authorisation procedures for gas and hydrogen infrastructure.

4. **General comments**

- 4.1 The EESC welcomes the European Commission's intention to accelerate the transition to renewable gases, which is urgently needed because of continued climate change. The gas sector must make a major contribution to decarbonisation and sector coupling under the Green Deal. Low-carbon gases are also necessary for this transition, with high sustainability requirements needing to be met here. Their use should be focused on sectors that are hard to decarbonise or when no alternative technology solutions are already available, such as the direct electrification of end uses.
- 4.2 The EESC is aware of the climate neutrality commitment that the EU has enshrined in the Climate Law. Based on this commitment, EU policies should consider the special advantages of electricity systems and gas systems. Electricity grids can transport renewable solar and wind power with low transformation losses. Gas grids can use big storage facilities and provide long-distance transport. Within gas, preference is to be given to renewable and, to a lesser extent,

low-carbon gases on the market. In particular, hydrogen should be the focus in sectors that are hard to decarbonise, such as steel, cement, ceramics or long-haul transport.

- 4.3 Given that CO₂ remains in the atmosphere for a long time, the binding target for climate neutrality by 2050 enshrined in the EU Climate Law must be ensured. Additional measures will have to be taken if this target is missed in the coming years, especially if it turns out that methane emissions from the energy sector have a higher impact on climate than currently estimated.
- 4.4 Efficient gas networks and storage – and, in the future, hydrogen networks and storage – are needed, as they are an important element of a secure and affordable energy supply. They should be developed in a way that complements the electricity system. This way the gas and hydrogen sector can help to reduce dependency on Russian fossil fuels.
- 4.5 Accelerating the transition to renewable gases can help to diversify gas supply in the European Union. Carbon prices for fossil fuels will enforce the change to renewable gases.
- 4.6 The European Commission's proposals are designed to facilitate and expand market access for renewable and low-carbon gases, including hydrogen, in the common market. The EESC considers this approach to be useful. But is it enough to help renewable gases break through? The EESC therefore proposes also considering giving explicit legal priority to the injection of renewable gases into grids. Similar feed-in priority rules exist in some Member States for the electricity sector and could serve as a model for the transition.
- 4.7 The EESC believes that existing gas infrastructure must be used and further developed as needed to achieve the objective of climate neutrality. The Committee supports the special focus on setting up a hydrogen market and network. In this regard, the EESC questions the need for a strict separation of natural gas and hydrogen networks in line with competition law.
- 4.8 The proposal defines two separate systems: A gas system, which should switch from fossil to renewable gas, and a hydrogen system. The rules set out in the gas package would mean that the requirements applicable to both systems are very different. This would cause a blocking of technical and economic synergies between the two systems. The EESC questions whether the different and restrictive requirements to the two systems are needed and proportional. The potential synergies in the joint development, operation and maintenance of the two systems through common regulation should be realised. Opportunities to connect separated local grid sections should be made possible and executable.
- 4.9 The European Commission's proposals aim to enable rapid market development for so-called low-carbon hydrogen as well as for genuine renewable hydrogen. This broad approach is intended to achieve a rapid and competitive expansion of hydrogen on the market. In the EESC's view, it must be ensured that genuine renewable hydrogen continues to be prioritised over hydrogen produced using fossil fuels.
- 4.10 Electrolysis and steam reforming are the most well-known and established chemical processes for producing hydrogen. Pyrolysis and biological processes (fermentation) - as well as biogenic

CO₂ from biogas processing may also be used. Depending on the process, different energy sources or feedstocks can be used to produce renewable hydrogen, such as renewable electricity, renewable gas or even sustainable biomass. The creation of a hydrogen economy is therefore expected to result in a mixture of technologies and installation sizes. Mining hydrogen from space is another option that should be acknowledged.

- 4.11 In principle, the EESC recommends an open market design for the development of a hydrogen economy, with specific consideration of small and medium-sized enterprises (SMEs). This will mean that renewable gas or hydrogen can be produced locally from off-grid renewable electricity, biogenic residues and waste or recycled materials. This requires equal access to networks and markets. Furthermore, special attention should be paid to smaller operators and new entrants to the market (including energy communities) that produce renewable gases, for example, biomethane. Small and new entrants to the gas market need special support because they have to make high investments with relatively low profitability. At least those operators should have guaranteed access to distribution networks.
- 4.12 The EESC underlines the special role of biomethane in developing a larger supply of renewable gas. In March 2022, the European Commission set a new goal of 35 billion cubic metres of biomethane by 2030. There are still many unused sources of biomass that are not in competition with sustainable food production and nature protection goals. The use of by-products and residues from agriculture for biomethane will support the sector in reducing climate emissions. This will also provide additional fertilisers for farmers as a further step towards the circular economy and regional value added.
- 4.13 High safety standards for gas and hydrogen have already been established to protect employees and the environment. With greater use of hydrogen in future, the role of preventive measures will become even more important.

5. **Specific comments**

Proposal for a Directive of European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen

- 5.1 Article 2 of the Directive provides a new definition for "low-carbon hydrogen". The definitions for "low-carbon gas" and "low-carbon fuels" are based on those in the Renewable Energy Directive. A greenhouse gas emission reduction threshold of 70% must be met. The definition of "low-carbon hydrogen" should be re-examined to see whether this is blocking the change to renewable gases. On the one hand, so-called blue hydrogen (i.e. hydrogen produced from natural gas with carbon capture) seems to be needed in order to rapidly achieve significant hydrogen production. On the other hand, the need to develop "genuine" renewable hydrogen production must not be hampered or delayed by favouring low-carbon hydrogen. Both should be ensured in the Directive. Consequently, priority should be given to renewable gases.
- 5.2 Article 8 of the Directive provides for certification of renewable and low-carbon gases. In line with the Renewable Energy Directive, this will be done using the mass balance system already established for renewable fuels in the transport sector. The gas industry believes that different

national verification systems create barriers to cross-border trade in renewable gases. The EESC believes that end-to-end certification of renewable gases is necessary and therefore suggests that a uniform EU-wide system for gas quality and sustainability standards should be introduced from the outset. It should include updated Guarantees of Origin that also include greenhouse gas information and sustainability criteria. This will enhance the liquidity of the gas market as it undergoes decarbonisation.

- 5.3 Articles 13 and 14 of the Directive lay down rules for "active customers" (prosumers) and energy communities for the first time. The EESC welcomes the fact that its position has been taken up by the Commission¹. This provides customers with a diversified gas supply portfolio and more competition in the gas market. Furthermore, prosumers and energy communities stimulate regional or rural development and drive the digitalisation of the energy sector.
- 5.4 Article 27 of the Directive stipulates that contracts for the supply of fossil gas must be terminated by 2049 or must not run beyond then. The EESC has doubts whether laying down an end date in law is a good idea for certain private-sector supply contracts as this may run counter to the market economy principle of supply and demand. On the other hand, to be coherent with the climate neutrality binding target enshrined in the EU Climate Law and given the long persistence of greenhouse gases in the atmosphere, 2049 date comes in too late. If the Commission decides to go ahead with termination of contracts date, the end date should be about one decade earlier in order to be able to meet our environmental commitments and especially in light of the REPowerEU initiative, prioritising the necessary transition to renewable energy.
- 5.5 The Directive (Article 62 et seq.) also provides for unbundling of producers, traders, network operators and storage operators of hydrogen networks, in line with gas network regulations. The EESC supports this competitive approach but points out that this could hinder time-critical initiatives to build hydrogen networks. The Directive provides exceptional rules to apply until the end of 2030; a further extension should therefore be assessed. Requiring legal unbundling between gas network operators and hydrogen network operators would make it more difficult to convert and build the infrastructure necessary to achieve the climate objectives. A way to decarbonise the gas sector is to adapt and convert the existing gas infrastructure to pure hydrogen transportation. The EESC therefore thinks that exceptions to unbundling rules the hydrogen network would be worth discussing. As with gas network regulations, hydrogen network regulations should also make a distinction between the transmission and distribution network levels and should lay down specific unbundling requirements.

Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast)

- 5.6 Article 4 of the revised Gas Regulation contains a rule stating that a Member State may allow financial transfers between regulated services for gas and hydrogen. The EESC can support this approach.

¹ [TEN/761 - Energy prices](#)

- 5.7 The Regulation (Article 6 et seq.) provides for non-discriminatory market access to hydrogen networks and storage facilities in line with gas network regulations. The EESC supports this approach.
- 5.8 Article 16 of the Regulation provides for network tariff discounts for renewable and low-carbon gases. The EESC supports this.
- 5.9 Article 20 of the Regulation stipulates that a hydrogen content of up to 5% must be accepted in gas transmission between Member States. The EESC believes that it should be re-examined whether it is possible for blended content to exceed 5% while ensuring that the network runs smoothly from a technical point of view. This would facilitate the market growth of renewable gases through blending.
- 5.10 The Regulation (Article 39 et seq.) provides for the gradual establishment of a European Network of Network Operators for Hydrogen (ENNOH). Due to potential synergies between gas and hydrogen, it should be organised in close collaboration with existing ENTSOG. The EESC underlines the important role of this network to create an EU internal market for hydrogen. In this respect, it has to be ensured that the network is open to new players. The special competitive interests of SMEs have to be respected.

Proposal for a Regulation of European Parliament and of the Council on methane emissions reduction in the energy sector.

- 5.11 Globally, the EU is responsible for only 5% of methane emissions². Most of the methane emissions from natural gas imports originate outside the EU. An international approach that includes energy imports remains essential to combat methane emissions in the energy sector.
- 5.12 The EESC believes that an EU framework for limiting or reducing methane emissions in the energy sector is a good idea. Care should be taken to ensure that the monitoring requirements for the gas sector are feasible, for example when measuring, reporting and verifying emission data. This should include setting appropriate inspection deadlines for facilities by distinguishing between their technical condition and age. Existing industry initiatives to reduce emissions should be taken into account (Oil and Gas Methane Partnership (OGMP)), as well as the need to boost international cooperation under initiatives such as the Methane Pledge and Climate and Clean Air Coalition.
- 5.13 A large part of fossil methane emissions data is currently under-reported. The EESC welcomes the proposals on Monitoring, Reporting and Verification (MRV), in particular when applied to preventing leakages along gas pipelines. Initiatives such as the International Methane Emissions Observatory (IMEO), as well as the use of satellite technologies to detect such leakages, should be streamlined and prioritised. Practices of unjustified venting and flaring should be banned in the EU. Exemptions to this rule should be limited to emergency and safety-related situations. As for biomethane, several EU Member States have already implemented technical and regulatory

² See Opinion TEN/725 - Methane Strategy [OJ 2021/C 220/05, p.47](#)

monitoring and avoidance measures. This might help with the assessment of methane emissions during fossil exploitation.

- 5.14 The EESC is well aware that most methane leakage happens outside the EU and for this reason, implementing and enforcing an EU methane performance import standard for gas imports is necessary. Such an import standard should set a benchmark for acceptable upstream emissions. This standard should already be developed under this regulation. Furthermore, the inclusion of upstream methane emissions in the CO₂-Pricing system should be considered.
- 5.15 The proposal on reducing methane emissions focuses on the energy sector. The EESC reiterates the relevance of methane emissions from agriculture. As stated in the Commission's methane strategy, farmers should be supported in reducing methane emissions. This could consist of including a mandate in the Common Agricultural Policy to offer measures to reward methane emissions reductions by farmers.

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The president of the European Economic and Social Committee
