



Directive & Regulation on the Internal Markets for Renewable and Natural Gases and for Hydrogen

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Position Paper

Austrian Federal Economic Chamber (WKO)
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WKO Position Paper on the recast of the Regulation and the Directive on the Internal Markets for Renewable and Natural Gases and For Hydrogen (EC Proposal (Regulation, Directive), Council's general approach (Regulation, Directive), EP mandate (Regulation, Directive))

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The Austrian Federal Economic Chamber (WKO) ~~expressly~~ welcomes that hydrogen is to be included in the European Union's climate strategy and that the overdue framework conditions for the corresponding infrastructure will be created. It is positive that the proposed recasts recognize the special role and necessity of hydrogen as well as the urgency of rapid action. The future hydrogen network is to result from a combination of newly built hydrogen pipelines and the retrofitting of existing gas infrastructure. The possibility of blending biomethane and hydrogen in a first step and thus using them thermally is also welcomed.

In the following, we go into detail on those points that we consider essential:

On integration of hydrogen, renewable and low-carbon gases:

Create legal coherence	The used definitions should be consistent with existing and thematically relevant legal acts (e.g., RED), e.g., by referring to the definitions of renewable gaseous fuels in RED.
Realistic CO₂ reduction target	The reduction targets for low-CO ₂ gases or low-CO ₂ hydrogen must be achievable. Therefore, the WKO proposes a realistic CO ₂ reduction target of 60%.
Blending and deblending	The WKO expressly welcomes the support of blending specifications for border capacities. This supports the distribution of hydrogen. However, since different M ember s tates pursue different ambitions with regard to blending in their own grids, "deblending" technology must also be taken into account in the Regulation. Otherwise, we risk a European "patchwork" of gas networks, or very low hydrogen share at the borders (like 5-, 3- or 2-%) may become a bottleneck for hydrogen development in the long run.
Expand land use rights and accelerated permits to hydrogen	We welcome the that existing gas permits and land use rights for natural gas should also apply to the transport of hydrogen. The proposal to accelerate approval procedures and limit them to a maximum duration of two or three years is also a positive development.
Rethink the approach of mass balancing for certification system for renewable and low-carbon gases	Standardized certification will play a key role in the tradability and thus the liquidity of gaseous energy carriers of different quality. Therefore, we see the approach of mass balancing as too restrictive. The usual "book-and-claim" model is already standard in balancing today and supports marketability. The import of hydrogen should also be taken into account in the certification system. Here in particular, mass balancing appears to be difficult or impossible to implement

Evaluate network access regulations for hydrogen infrastructure in due time Exceptions are proposed for third-party network access until 2030 (respectively 2035). This transitional provision seems sensible to enable a faster market ramp-up. An evaluation by the end of 2030 would be advisable.

Joint representation of gas and hydrogen network operators in European associations The establishment of a DSO Entity Gas and its integration into the already existing EU DSO Entity is welcomed under the condition that the two energy carriers gas and electricity are two equal pillars under one common roof. What is completely missing, however, is any mentioning of the integration of hydrogen distribution system operators into the DSO Entity. Separate European associations for gas and hydrogen system operators (distribution as well as transmission) seems inefficient. Therefore, we propose to integrate ENNOH into ENTSOG and that hydrogen DSOs are integrated into the EU DSO Entity alongside electricity and gas.

Integrate hydrogen into the "Ten Year Network Development Plan" (TYNDP) ~~The~~ WKO is ~~critical~~ ~~sceptical~~ ~~about~~ ~~of~~ the creation of a separate Network Development Plan for hydrogen. Hydrogen represents a natural interface between gas and electricity and is crucial for the integration of energy systems. Hydrogen network planning is already a fundamental element of the TYNDP process for gas. To avoid confusion, increase transparency and simplify planning as well as collaboration efforts, we urge not to force each distribution system operator to prepare an individual distribution network plan. Here, a centralized effort seems the most effective way to go.

On regulations concerning TSOs and DSOs

Proportionate unbundling In the area of hydrogen unbundling (horizontal and vertical), a stricter approach - compared to electricity and gas - is introduced for legal unbundling. There should not be separate rules for hydrogen in contrast to electricity and gas, especially regarding the necessary sector integration and the rapid hydrogen market ramp-up. Especially, the conversion from gas to hydrogen networks requires an unbureaucratic and efficient cooperation within the network companies. All three unbundling models must continue to be applicable on an equal footing (even beyond 2030), as it is currently the case for gas network operators. The ITO (ITO - independent transmission operator) model, which has been applied in Austria in the natural gas sector to date ~~and~~ has proven itself in Austria, ~~is~~ fully adequate and has stood the test of time.

No inclusion of storage facilities as a criterion for differentiating between hydrogen TSOs/DSOs

If the connection to a gas storage becomes a distinguishing criterion for transmission system operators (TSOs) and distribution system operators (DSOs), this would lead to a disadvantageous treatment of those [Member States](#) with direct connections of storage facilities to the distribution grid (especially Austria). Apart from that, we want to point out, that “gas transmission” and “gas storage” are different activities and therefore storage cannot be used as a limiting definitional feature for TSO/DSO. Therefore, we are in favour of the deletion of the term “storage” in the definitions of hydrogen TSOs and DSOs.

On storages

Regulatory framework for seasonal storage is inadequate

The role of important large-volume seasonal storage is still undervalued and has regulatory gaps. Exemptions should not only apply to geographically limited networks but should also apply to (large-scale) storages.

Meaningful market-based incentives for storage management are necessary

Meaningful market-based incentives for storage management are necessary, e.g., an obligation to physically hold gas volumes and load flow commitments. Only then can storage investments in (existing) infrastructure be financed, allowing hydrogen to [be](#) integrated into existing systems.

Additional points

Limit opportunities for citizens' energy associations to operate grids

The alignment of consumer rights with the Electricity Market Directive is welcomed in principle. However, the possibilities for citizens' energy associations to own or operate grids could be counterproductive. The responsibility for operating distribution networks should be left with the existing regulated gas distribution network operators. If self-governing citizen energy associations are nevertheless introduced, due to the complexity and the necessary safety regulations, [such associations](#) should only be permissible under the same strict conditions as [companies](#) [applying to a company](#) operating a public gas network or a hydrogen network.

Regulatory framework for intermediate CO₂ storage is missing

~~The~~ WKO misses regulatory framework conditions for a temporary intermediate storage of CO₂ with subsequent use as a valuable raw material (Carbon Capture and Utilization, CCU). CCU can also be used for the methanation of hydrogen. This will be a key factor for the planned circular economy and CO₂ reduction targets. CO₂ intermediate storage should also be considered as part of the present decarbonization package for gas and hydrogen.

Introduce regulatory exemption for sandbox projects

Regulatory exemptions for sandbox projects (as provided for in the Internal Electricity Market Directive) are missing. Gas network and storage operators are not given the opportunity to operate Power-to2-Gas plants under certain conditions and to act as "market makers". This not only makes it impossible for them to use their know-how to contribute to energy transition but also discriminates them compared to electricity grid operators, who have this option.

Time limit measures and ensuring a free market for energy companies

With regard to gas prices, the Directive stipulates that Member States should be able to introduce time-limited measures for socially vulnerable consumers and those affected by energy poverty - including interventions in gas prices. These interventions must be limited in time, reported to the EC and regularly reviewed as part of the National Energy and Climate Progress Report. In addition, it must be ensured that energy companies can continue to operate economically in the free market.



Contact:

Juergen Streitner, Director of Environment and Energy Policy Department, +43 590 900-4195,

Juergen.streitner@wko.at [mailto:](mailto:Juergen.streitner@wko.at)

Renate Kepplinger, Environment and Energy Policy Department, +43 590 900-3451,

renate.kepplinger@wko.at

Barbara Lehmann, Brussels, EU Representation WKO, +32 2 286 58 80,

barbara.lehmann@eu.austria.be



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