

To:

Raúl Fuentes Milani, Spanish Presidency Ambassador

Jerzy Buzek, Rapporteur for the ITRE Committee for the Regulation

Jens Geier, Rapporteur for the ITRE Committee for the Directive

Kadri Simson, Commissioner for Energy

Cc:

Shadow Rapporteurs

Energy attachés

DG ENER

13 September 2023, Brussels

### **IOGP Europe recommendations on the Hydrogen and Decarbonized Gas Market Package**

The International Association of Oil and Gas Producers Europe (IOGP Europe) believes that the Hydrogen and Decarbonized Gas Market Package is a necessary framework in decarbonizing the gas sector by accommodating renewable and low-carbon gases under the gas market rules while safeguarding the achievements of the Internal Gas Market. In light of the on-going trilogue negotiations, we would like to reiterate our concerns and recommendations regarding the following issues:

- **Demand aggregation, joint purchasing and reporting obligation (*Article 67 Recast Gas Regulation*)**

IOGP Europe is concerned about the initiative to create a permanent mechanism for natural gas demand aggregation and joint purchasing and the possibility to extend such a mechanism to renewable gases, including hydrogen. The AggregateEU Platform was introduced as a temporary measure for the gas supply crisis during an extraordinary market situation as a result of an exceptional legislative process. Considerations about the extension of the mechanism to hydrogen, and hydrogen derivatives, are premature and may be detrimental to the development of a hydrogen market, including discouraging investments in hydrogen production. As for its introduction in the advanced ordinary legislative process, a proper consultation process and impact assessment could have addressed these risks. **We recommend that the Hydrogen and Decarbonized Gas Market Package does not establish a permanent mechanism for demand aggregation and joint purchasing.** If still contemplated, there should not be any mandatory participation.

We recognize that limiting the reporting obligation to gas purchase tenders and only when the EU has declared a state of alert is a step in the right direction. However, we consider that the reporting obligation should be temporary and should not be integrated into the Hydrogen and Decarbonized Gas Market Package as part of the gas market model.

- **Certification of low-carbon gases and hydrogen (*Article 8 Recast Gas Directive*)**

The package is an important step for the development of low-carbon gases/hydrogen. We support a full life-cycle emissions assessment (LCA) methodology consistent with the Delegated Act<sup>1</sup> adopted under the EU Directive 2018/2001 (RED II) and we consider the proposed 70% GHG emission savings threshold as appropriate. The Delegated Act methodology for low-carbon gases should address methane emissions and carbon capture (also if occurring outside the EU) as part of the GHG emissions savings calculation. **No additional thresholds for carbon capture and methane emissions should be set in Article 8 of the Directive as, by construction, a full LCA methodology already covers these elements.** We believe that it is important that the Delegated Act is adopted as soon as possible and that it provides certainty to investors on the current threshold. Any future revisions should provide sufficient lead time, remain aligned with the RED and should not apply to already existing production facilities. We call on the EU institutions to strengthen the business case for low-carbon hydrogen. This would not only accelerate hydrogen deployment, but it would also supply strategic industries with cleaner fuel and accelerate the emergence of a European hydrogen ecosystem.

- **Hydrogen blending (*Article 19 Recast Gas Regulation*)**

IOGP Europe supports a **flexible approach to hydrogen blending** that does not create artificial barriers but instead enables TSOs to agree on higher blends than the suggested 2% or 3%. This would not preclude technological solutions for managing methane/hydrogen mixtures in pipelines nor create more flexibility to address variability in hydrogen production and demand.

- **Hydrogen transmission and distribution (*Article 2 Recast Gas Directive*)**

The package should provide the framework for and facilitate the conversion of existing transmission and distribution grids from natural gas to hydrogen, including blends. Creating different organizational structures for hydrogen and natural gas will be detrimental to the grid conversion. Hence, we support a structure for **hydrogen transmission and distribution** that matches how the natural gas grid is organized.

- **Hydrogen terminals (*Article 32 Recast Gas Directive*)**

For hydrogen terminals, we propose to start with a transitional phase for the implementation of third-party access rules initially based on **negotiated access to stimulate private investment and to treat all forms of hydrogen imports on a non-discriminatory basis.** In this context, we point out that for instance Ammonia (which is currently imported in significant amounts already) the market works well without regulated access. Moreover, we propose to exclude Ammonia crackers from the Recast Gas Regulation as they are not a type of infrastructure but a type of hydrogen production comparable to electrolysis or steam methane reforming.

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<sup>1</sup>Commission Delegated Regulation (EU) 2023/1185 of 10 February 2023

- **EU organization for hydrogen network operators (*Article 40 Recast Gas Regulation*)**

We support a **single EU organization (ENTSOG) for dealing with natural gas and hydrogen** transmission, considering that natural gas infrastructure may be repurposed to develop a hydrogen transmission system and the synergies/similarities between transmission of natural gas and hydrogen. Creating ENNOH as a third silo, next to ENTSOG and ENTSOE, will be detrimental to efficient cooperation and coordination.

- **Decarbonizing the natural gas system (*Article 16 Recast Gas Regulation*)**

Policy support will be required to develop low-carbon gases as well as renewable gases. We are concerned that transportation tariff discounts would only provide limited financial support and potentially distort the efficient functioning of the infrastructure. Virtual backflow of gas injected at DSO level into the TSO grid should be facilitated to allow this gas to be traded in the EU market. Moreover, we believe that **cross-subsidization from the natural gas grid should not be seen as a default means to finance the development of renewable and low-carbon gases.**

We rely on your support to properly address these issues and remain available for further discussions.

Yours sincerely,



François-Régis Mouton de Lostalot-Lassalle  
Regional Director, IOGP Europe