



– Press release –

The '*Hydrogen and Gas Markets Decarbonisation*' Package: a solid foundation for the development of competitive and liquid markets in renewable and low-carbon gases

Brussels, 15 December 2021 | Europex welcomes the Commission's package of legislative proposals to revise the Gas Directive and Regulation, as well as the new rules to tackle methane leakage, published today. We also welcome the revision of the Gas Security of Supply Regulation to ensure it is fully adapted to a decarbonising gas sector. The new measures help to ensure that the gas regulatory framework is fit for purpose for the uptake of renewable and low-carbon gases, whilst retaining the core benefits of the Internal Energy Market. Open, competitive energy markets will play a fundamental role in driving the energy transition and delivering the 55% reduction in GHG emissions by 2030 and the objective of climate neutrality in 2050.

The package lays the foundation for the emergence of a pan-European traded hydrogen market, based on the principles of the natural gas market, which have proven to be successful in delivering significant welfare benefits to European energy consumers. We are pleased to see clarity on the application of the entry-exit model that is currently in place for natural gas and recognition of the value of Virtual Trading Points (VTPs). Experience from the natural gas market has shown that using the VTPs as focal points for trading, without the need to book transmission or distribution capacity, helps to stimulate and increase the liquidity of the traded markets and will be beneficial also for the trading of renewable and low-carbon gases.

We also support the establishment of core regulatory principles at this stage to counter the natural monopoly of hydrogen infrastructure, whilst also acknowledging the need to support the development of this nascent market. These principles include non-discriminatory, regulated third-party network access, clear unbundling of transportation from supply and production activities as well as cost reflective network tariffs. Europex also welcomes the proposed measures to **enable renewable and low-carbon gases to access wholesale markets**, ensure cross-border interoperability (especially related to gas quality) and perform integrated network planning based on joint gas and electricity scenarios. Other vital provisions are also introduced, including limitations and phase-out requirements for any retail price regulation (intervention) and provisions to protect and empower gas consumers.

When it comes to **certification**, the trading of certificates for renewable and low-carbon gases, reflecting the climate value of gases, should take place on dedicated markets separately from the commodity trading. This is an important principle which allows the certificates to be traded in a pan-European market. Further clarity is needed on how the use

of the mass balance system and sustainability information required by the Union database (cf. RED III) will interact with Guarantees of Origin (GOs) for renewable gases. For any form of certification system it is necessary to allow for an efficient traded market to emerge. This ensures broad access to hydrogen and provides an income source beyond subsidies for hydrogen producers.

Close **coordination with the ‘Fit for 55’ package** will be necessary, in particular with the review of the Renewables Directive (RED III), which defines renewable gases, as well as the related **Delegated Regulation on the production of renewable hydrogen from electricity**. As the proposals progress through the legislative procedure, we call on policymakers to ensure robust market principles are in place that will support the emergence of liquid and competitive markets in renewable and low-carbon gases.

About

Europex is a not-for-profit association of European energy exchanges with 30 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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