

The Network for Networks



WG Gas
07 March 2023



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Agenda



I. Welcome - Agenda



WG Gas meeting

Date 07 March 2024
Time 10:00 – 11:30 CET
Place Online (Microsoft Teams)

AGENDA

I.	Welcome	<i>Christian Held</i>
II.	Gas and Hydrogen Package	<i>Federica Bruni</i>
III.	Methane Regulation	<i>Federica Bruni</i>
IV.	Net Zero Industry Act	<i>Federica Bruni</i>
V.	Integration of gas DSOs into EU DSO Entity	<i>Carmen Gimeno</i>
VI.	2040 European Commission Targets	<i>Federica Bruni</i>
VII.	Policy Updates - Focus EU CCUS Strategy <ul style="list-style-type: none">• Towards an ambitious Industrial Carbon Management for the EU• The Case of Denmark	<i>Federica Bruni</i> <i>Kaspar Thue Andersen</i>
VIII.	Madrid Forum – DSO Associations Joint Presentation	<i>Federica Bruni</i>
IX.	AOB: <ul style="list-style-type: none">- Member Satisfaction Survey Results- Support to Ukrainian DSO	<i>Federica Bruni</i> <i>Silvia Torres</i>

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II. Policy Updates



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Gas & Hydrogen Market Package



Gas and Hydrogen Market Package



Directive – Agreement found on the 27th November
M Regulation – Agreement found on 8th December

20 December – endorsement at COREPER

23 January - Validation of both texts in ITRE Committee;

Next Steps: European Parliament Plenary voting (10 – 11 April) and Official Journal Publication is expected for May



- **Key achievement for GEODE within the Directive :**
 - **Unbundling of Hydrogen Operators (Article 63)** only limited to TSOs and with possibility for Member States to remove the obligation based on a cost-benefit analysis.
 - **Split between Hydrogen Distribution and Transmission** is consolidated (Article 2)
- **Next Steps – new governance**
 - A separate entity for Hydrogen ENNOH will be created for H2 TSOs (first meeting held on 23.01.2024)
 - **Gas and H2 DSOs will integrate into the EU DSO Entity** (Entity has kickstarted the process internally)

Gas Regulation – Key provisions for DSOs



Chapter II, Section 3 Distribution system operators

- Firm capacity for renewable gas and low-carbon gas (art. 33).
- Cooperation between DSOs and TSOs (art. 34).
- Transparency requirements (art. 35).
- **Integration of the Gas DSOs in the EU DSO Entity** (arts. 36-38).



Chapter III Rules applicable to **dedicated hydrogen networks**

- Cross-border coordination on quality (art. 39).
- Cooperation between DSOs and TSOs.
- ENNOH (arts. 40-47).
- Ten-year network development plan (art. 43).
- Transparency requirements (art. 48).



Chapter IV **Network codes and guidelines**

- Adoption of NC and guidelines (art. 52).
- NC for natural gas (art. 53).
- NC for hydrogen (arts. 54).
- Amendments to NC (art. 55)
- Guidelines (art. 56).
- Information and confidentiality (art. 58).

Gas Directive – Key provisions for DSOs



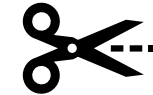
Consumer Protection

- Consumer Rights and Protections in relation to phasing out of natural gas (art. 11a)
- Refusal of Access and Connection (art.34)



Development Plans

- Hydrogen distribution development plans (art. 52)
- Network decommissioning plans for natural gas distribution system operators (art.52b)



Unbundling

- Unbundling of Distribution System Operators and Hydrogen Distribution System Operators (art. 42)
- Horizontal Unbundling of hydrogen transmission system operators (art. 63)

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Methane Regulation



Methane Regulation



Provisional Agreement – 14th November 2023

COREPER Endorsement 15th December; ITRE & ENVI approval on 11th January

Next steps : EP Plenary Voting expected for 11th of March – Publication in EU Official Journal



Article 12 - Monitoring and reporting

Article 12 - Monitoring and Reporting		
timeframe after entry into force	type of asset	Obligation
By 12 Month	operated and non operated	Report on estimated quantification of source level emissions
By 18 Months	Operated	+ include location
By 30 Months	Non - operated	+ include location
By 30 Months + yearly thereafter submitted by 31st of May	Operated	+measurements of site level emissions to allow comparison with estimates
By 48 Months + yearly thereafter submitted by 31st of May	Non - operated	+measurements of site level emissions to allow comparison with estimates

Methane Regulation – Article 12 Monitoring & reporting



Reports shall at least include :

- Emission source type location
- Data per detailed, emission source type, reported in tons of methane and in tons of CO2 equivalent, using global warming potential as defined by the IPCC sixth assessment report
- Detailed information on the quantification methodologies
- All methane emission for operated assets
- Share of ownership and methane emissions from non –operated assets multiplied by share of ownership
- A list of the entities with operational control of the non-operated assets



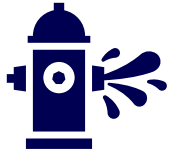
EC to provide template for reporting purposes via implementing Act



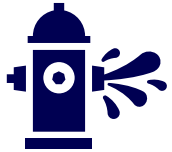
In case significant discrepancies between source level estimates and site level measurements, operators shall:

- notify without delay the competent authority
- carry-out a reconciliation process as soon as possible

Methane Regulation – Article 14 Leak detection & Repair



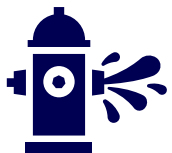
Within [6-9] months of the entry into force obligation to submit Leak and Repair programme to competent authorities



Obligation to undergo **survey of all relevant component within [9-12] month of the entry into force of the regulation with the type 2 leak detection limit**

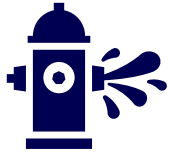


Type 1: . for type 1 leak detection and repair surveys: [7000 ppm or] 17 g/h of methane
Type 2: [10-50] ppm in volume of methane or [0.15 g/h -1 g/h] of methane for aboveground components; [500-3000] ppm or 5 g/h of methane for underground components [and offshore components above the sea level;]



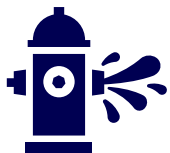
Operators shall repair or replace all components found to be [emitting/leaking methane] [at or above the levels set in paragraph 3a for the minimum detection limits at standard temperature and pressure, in compliance with the manufacturer specifications for operation and maintenance.]

Methane Regulation – Article 14 Leak detection & Repair



If leak is found repair to be conducted as soon as possible and no later than five days after detection and 30 days for a complete repair; For lower than the thresholds at standard temperature and pressure, no later than 3 months after the emissions were detected, to check whether the size of loss of methane has changed.

Type of LDAR survey	Type of material or component	Frequency of survey
Type 1 LDAR survey	Grey cast iron, Bitumen sheet	3 months
	Asbestos, Ductile cast iron, Regulating and metering station	6 months
	Non-protected steel	12 months
	Polyethylene, PVC protected steel (< = 16 bar)	24 months
Type 2 LDAR survey	Grey cast iron Bitumen sheet	6 months
	Asbestos Ductile, cast iron, Regulating and metering station	12 months
	Non-protected steel	24 months
	Polyethylene PVC protected steel (< = 16 bar)	36 months



Protected steal are not explicit included; for all other components the frequencies are for type 1: 6 months und for type 2: 12 months

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NZIA & EPBD



Other Fit for 55 files – State of Play



NZIA

- European **Parliament** has adopted in Plenary reading its **position on 22nd of November**, however extending the coverage of the text on the entirety of the Supply Chain, diverging from the original proposal by the EC.
- Council has adopted its **General Approach on the 7th of December**, the negotiation were halting on the inclusion of nuclear fission in the list of strategic technologies.
- **Provisional Agreement February 6th 2024**
- **COREPER** endorsed on **16th February** ; **ITRE** approved the text on the **22nd of February**
- **Next Steps : EP Plenary Voting 25 April 2024** and subsequent publication in EU Official Journal



Energy Performance of Buildings Directive

- **Agreement found on 7th of December**
- Negotiations were halting on the question of minimum energy performance standards for building, despite a partial agreement had been found mid-October.
- **Phasing out for boilers by 2040 has been retained, however EC should issue guidance on the definition of a fossil fuel boiler. (not a technological ban). EC has not advanced on the guidance so far. It will be most likely left for the next mandate.**
- **Next Steps: EP Plenary voting 14th of March 2023** and subsequent publication in EU Official Journal.

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Integration of Gas DSOs into EU DSO Entity



Integration of Gas DSOs into EU DSO Entity



Art. 36 Gas Regulation



Definition of a common position

Meeting EU DSO Entity (24th of January)

Meeting European Commission (6th of March)

Joint WG GAS DSO Associations & EU DSO Entity (TBC)

EU DSO Entity – Gas DSOs Integration

General Principles



The principles the 4 Secretary General agreed on are the following:

- EU Electricity Market Regulation 2019/943/EU – with all the governance rules it contains - is the basis for the integration of gas DSOs, along with AISBL and Belgium legislation. Governance rules should be phrased as closely as possible according to the Regulations. However, limited deviations may be necessary.
- There is 1 Board, composed of 27 members, representing both electricity and gas DSOs.
- There are 3 categories within the Board, with the limits as described in the Electricity Regulation text.
- The composition of the Board will be shared between electricity and gas DSOs, in principle on a 50/50 basis.
- Hydrogen and gas DSOs are considered as being part of the same sector (referred to as 'gases')

Based on these principles, a Taskforce has been set up among the four EU GAS DSOs associations, and three proposals have been developed for election of the joint Board.

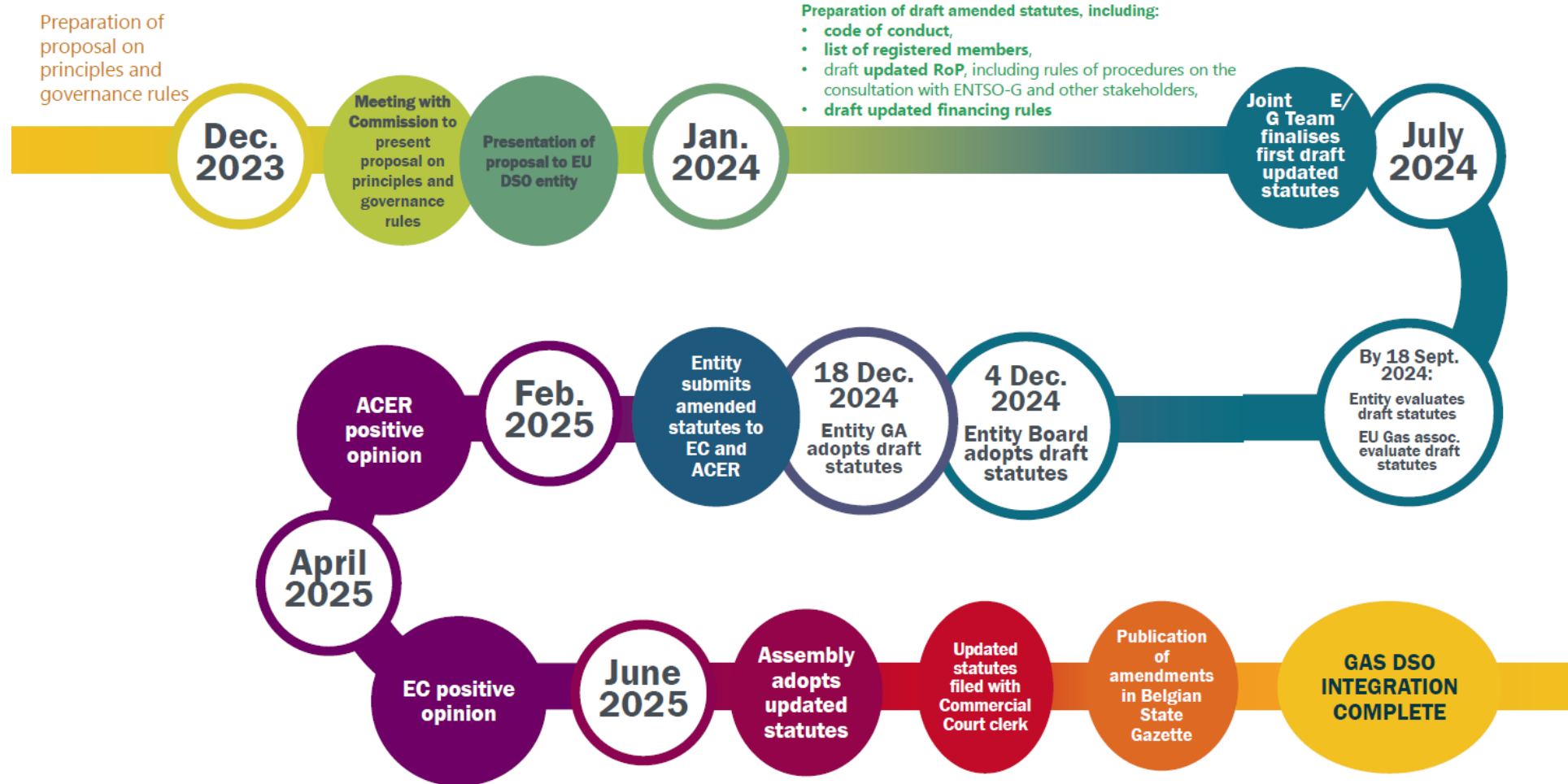
EU DSO Entity – Gas DSOs Integration

Governance rules



1. The election procedure for the Board members (for the agreed number of seats for each activity) will proceed through separate election processes for electricity and gas, with voting power based on their respective connection numbers. The current rules and criteria of the election process will apply.
2. To ensure a balanced governance in the Board and General Assembly, it is proposed that any decision should require a double majority to be adopted.
3. Financing:
 - **One single budget** for the joint EU DSO Entity, comprising of:
 - **Separate budget lines in internal accounting for sector-specific activities, such as dedicated expert groups.**
 - **Shared costs**, such as overhead costs related to the **Secretariat** and possible **cross-sectoral expert groups**, are covered by both sectors proportionally to number of Board seats.
 - **Legal support** to the EU DSO Entity for integration of gas DSOs: common costs shared equally by both sectors. Sectors bear their own costs for sectoral support.

EU DSO Entity – Gas DSOs Integration



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EU 2040 Targets



European Commission Communication on 2040 Targets



Released on February 6th along with :

- Impact Assessment Report accompanying the 2040 targets Communication
- EC Communication "Towards an ambitious Industrial Carbon Management for the EU"



- The Commission **proposes a 90% greenhouse gas (GHG) emissions reduction** compared to 1990 levels by 2040 based on the impact assessment, which includes three possible scenarios:
 - Option 1: a reduction of up to 80% compared to 1990
 - Option 2: a reduction of 85-90%
 - Option 3: a reduction of 90-95%.
- 90 % Reduction Target can be achieved based on a cross sectoral decrease of emissions, as well as important Energy system Investments

European Commission Communication on 2040 Targets



Policy Implications:

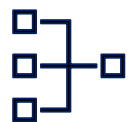
Delivering the target will largely depend on the full implementation of the 2030 policy framework. Building on the existing legislation, the Commission looks at the following scenarios and options for 2040



Energy prices: Reducing energy prices, through PPAs, particularly for **energy-intensive industries** which face the dual challenge of investing in clean production methods and high energy-prices.



Energy efficiency and buildings: Future policies should seek to encourage energy performance contracting and promote innovative market-based financing solution.



Electrification, grids and infrastructure: Acceleration of efforts and **investments in expansions, digitalization and increased flexibility of the grids**, making the Action Plan on grids a continued priority for the EC in achieving the 2040 Targets. In addition, it calls on **increasing resilience and security of critical energy infrastructure**.

European Commission Communication on 2040 Targets



Policy Implications:

Delivering the target will largely depend on the full implementation of the 2030 policy framework. Building on the existing legislation, the Commission looks at the following scenarios and options for 2040



- **Energy system integration, storage, digitalization, and flexibility:** System integration is essential and requires important investments in reinforcing infrastructure with the Communication stressing the need for further policies to boost investments (digitalization, AI, networks, storage and flexibility market solutions).



- **Fossil fuels:** EC foresees an 80% decrease in fossil fuel consumption for energy. The Commission still sees a role for gas in industry, buildings and electricity, coupled with CCS to mitigate climate impact.



- **Industry Decarbonization Deal:** Aimed at safeguarding European industries while accelerating the reduction of GHG emissions, the Communication proposes to set up an enabling framework for competitiveness, that puts due attention to decarbonization and circularity, accompanied by a growing need for industrial carbon management and removal

European Commission Communication on 2040 Targets



Policy Implications:

Delivering the target will largely depend on the full implementation of the 2030 policy framework. Building on the existing legislation, the Commission looks at the following scenarios and options for 2040



- **Investment policy:** calls for an additional percentage of GDP to be invested annually in the green transition by:
 - By streamlining and creating synergies across existing instruments
 - More options should also be explored to create a business case for new business models in the key sectors of the economy needed for the transition.
 - **Making adjustments to the EU's funding and financing landscape** such as deepening the Capital Markets Union, reflection on investment policies at large, looking at taxation policy, access to finance, regulatory simplification, creating a “true single market for key technologies, establishment of one stop shop for existing funding instruments.
- **Other relevant potential policy areas:**
 - Reduction of dependance on Imports
 - Decarbonising Transport and improving mobility: Focusing on the Aviation and Maritime Transport Sector
 - Land, food, and bioeconomy and Sustainable land use
 - Research, Innovation and Skills (A just and fair transition for people)

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EU CCUS Strategy



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**Towards an ambitious Industrial
Carbon Management for the EU**



European Commission Communication on 2040 Targets



Transport infrastructure Preparatory work to be initiated for a **CO2 transport regulatory package on:**

- Market and cost structure.
- Cross-border integration and planning.
- Technical harmonisation and investment incentives for new infrastructure.
- Third party access.
- Competent regulatory authorities and tariff regulation for transport assets.
- Ownership models.

EU-wide CO2 transport infrastructure planning mechanism (in cooperation with Member States and the CCUS forum stakeholders). **Including assessing the possibility of re-purposing existing infrastructure for CO2 transport**, taking into consideration the priority needs of renewable gases for transport infrastructure.

Develop minimum technical standards for CO2 transport in cooperation with the European Committee for standardization .

Develop guidelines for maritime transport

European Commission Communication on 2040 Targets



Carbon Capture and Storage – even though some legislation is present, more is needed to expand its potential. **200 Million Tons of Co2 to be captured annually by 2040.**

EC is considering following measures:

- Support MS in **deployment of Net- Zero Strategic projects** under NZIA
- **EU CO2 aggregation platform:** By early 2026, the Commission will develop a platform for demand assessment and demand aggregation, to match demand with supply.
- **Storage site atlas:** Develop an investment atlas of potential CO2 storage sites based on a common Storage Readiness Level format.
- **Sectoral roadmaps:** intention to develop, through the CCUS Forum, knowledge sharing platform sectoral roadmaps.
- **Permitting guideline:** Develop by 2025 with MS guidance for permitting processes under the CCS Directive.

European Commission Communication on 2040 Targets



Member States areas of involvement –EC is considering following measures:

- Include in their **National Energy and Climate Plans (NECPs)** their **assessment of capture needs and storage capacity**. They also should support the deployment of the CCS value chain.
- Ensure they have **transparent processes in place for storage permit applicants** to engage with the competent authorities by 2025.
- Support the **development and roll out cooperative Net-Zero Strategic Projects**.
- **Enable their geological services to contribute data to the EEA-wide storage atlas by 2025.**

European Commission Communication on 2040 Targets



Carbon Removals – expectation of offsetting between 400-500 Million Tons of CO₂ by carbon removals in 2050.

- **Target:** Assess the establishment of a distinct carbon removal target in the post-2030 framework.
- **Policy:** Develop policy options and support mechanisms for carbon removals, including the possibility of including them in the EU ETS.
- **Innovation:** Boost resources under the Horizon Europe and the Innovation Fund for carbon removals.

European Commission Communication on 2040 Targets



Carbon Capture Utilisation – framework that creates a **price incentive that matches the climate benefit** of the **CCU application** for this technology to **play a significant role** in the EU economy.

- **Uptake: Consider demand pull options** to increase the uptake of sustainable carbon as a resource, in consideration of the upcoming biotech and biomanufacturing initiative.
- **Sectoral roadmaps:** The Commission shared its intent to use the **knowledge-sharing platform to develop sectoral roadmaps for CCU activities.**
- **Climate benefit:** Establish a **coherent framework for the accounting of all industrial carbon management activities reflecting the climate benefits** along their value chains.

European Commission Communication on 2040 Targets



Investment and Funding – substantial funding gap. Particularly for all existing projects of €10 Billion by 2030 + **construction of the relevant transport infrastructure would require another €10 Billion + creating the storage capacity outlined in the NZIA would have an estimated cost of €3 Billion.**

- **IPCEI:** EC with MS to possibly **create an Important Project of Common European Interest (IPCEI).**
- **Carbon Contracts for Difference:** Assess if certain CO2 capture installations, such as in cement or lime production, are **mature enough to move** from grant support **to market-based funding mechanisms** such as competitive bidding auctions as a service under the Innovation Fund.
- **EIB:** to **engage with the European Investment Bank on the financing of CCS and CCU** projects.
- **Private investments:** making smart use of public funding to leverage private investments.

European Commission Communication on 2040 Targets



Public perception - The Commission notes the importance for Member States to support an inclusive and transparent debate on industrial carbon management, via the engagement of all stakeholders proactively. •

- **Local communities:** Elaborate with MS operating conditions for transport and storage projects that can reward local communities for hosting them.
- **Awareness:** Work with MS to increase knowledge on industrial carbon management.

European Commission Communication on 2040 Targets



Research and innovation - to ensure the swift deployment of CCUS technologies, the Commission envisions **a continued investment in research**, but also the **use of the Knowledge Sharing Platform**. This platform would be open to all projects, and will eventually focus on:

- Capture technologies.
- Transport and storage infrastructure.
- Storage site characteristics.
- Regulatory aspects.
- Need for standards.
- Access to funding.
- Stakeholder management.

The Commission will also **continue to invest in Research & Innovation for carbon management, including energy and cost efficiency and standards development.**

European Commission Communication on 2040 Targets



Cross-border and international cooperation – recognition of the importance of **deploying CCUS technology globally**, and will therefore:

- **Harmonisation:** Seek to **accelerate international cooperation** to promote harmonization of reporting and accounting of carbon management activities.
- **Carbon pricing:** Seek to ensure that international carbon pricing frameworks **focus on the necessary emissions cuts while providing removals.**

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The case of Denmark
Presentation by Kaspar Thue Andersen



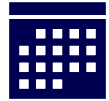
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Madrid Forum – 25 – 26 April



Madrid Forum – joint DSOs presentation



25 - 26 April 2024

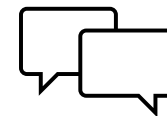
GEODE, CEDEC, Eurogas & GD4S joint intervention proposal

Previous joint DSOs intervention topics:

- 2020** Facilitating grid injection of renewable and low carbon gases: DSO joint initiative regarding end users
- 2021** Facilitating and scaling up the injection of renewable gases
- 2022** The integration of renewable and low carbon gases in the natural gas system
- 2023** Challenges for gas network operators in view of the decarbonization agenda – DSO perspective

Proposals for 2024 Madrid Forum:

- Repurposing of the distribution infrastructure towards Hydrogen
- Enabling conditions for Biogas



Discussion

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V. AOB & next meeting



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Member Satisfaction Survey Results



WG Gas 2023



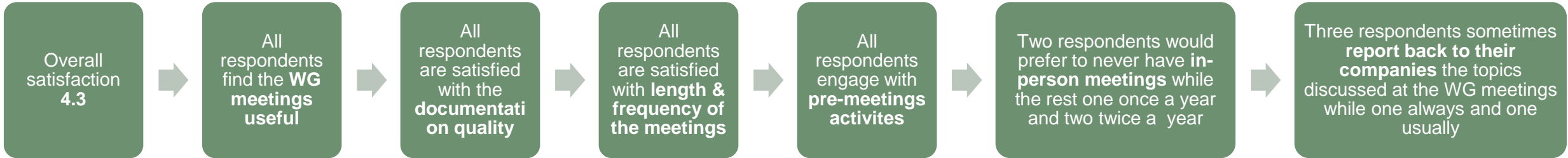
6 Meetings

- 21 February 2023 – 9 participants from 4 EU countries + UK
- 4 May 2023 – 9 participants from 5 countries + UK
- 30 June 2023 – 7 participants from 6 EU countries + UK
- 9 October 2023 – 7 participants from 6 EU countries
- 13 November 2023 – 10 participants from 7 EU countries
- 11 December 2023 – 10 participants from 7 EU countries

GEODE Survey

Nr. Replies
5/39

Recommendations on horizontal unbundling of Hydrogen Network Operators, October 2023



New topic proposal

Carbon Capture, Utilization, and Storage (CCUS) strategies, especially with the potential integration of hydrogen, as EU developments (e.g. CCUS strategy) emphasize DSOs positioning as key stakeholders with infrastructure competencies.

October 2023
GEODE NEWS

GEODE Position Paper on Hydrogen and Gas Markets Decarbonisation Package calling for a removal of Article 63 on horizontal unbundling of hydrogen network operators

GEODE, the European association of local energy distributors across Europe appreciates the work undertaken by the Council, European Parliament, and European Commission in relation to the Hydrogen and Gas Markets Decarbonisation package. Nevertheless, ahead of the next set of trilogue negotiations, we would like to call upon legislators to reconsider the inclusion of art. 63 of the Gas Directive in the current form and its mention to be removed from art. 42 paragraph 3a.

The current formulation of art. 63 on "horizontal unbundling of hydrogen network operators" states: "where a hydrogen network operator is part of an undertaking active in transmission or distribution of natural gas or electricity, it shall be independent at least in terms of its legal form."

As currently formulated the provision does not bring additional clarification to the text for the following reasons:

1. If the current formulation refers to a more extensive form of separation, it would imply an unbundling at ownership level. The economic implications of such definition would be vast, especially in terms of assets transfer from the parent company to the hydrogen network operator. DSOs would have to undergo an evaluation of current assets. The appraisal of the grid is not as linear as other assets. This is so, given that the actual life of the grid would exceed market value under commercial or tax legislation, implying a positive evaluation, even beyond the accounting depreciation purposes. This is particularly true if we were to look at conversion of the grid to support hydrogen, which is directly targeted by the article 63 provision.

Consequently, market value of the transferable assets would exceed bookkeeping value. This positive appraisal of the assets would ultimately result in important proceedings for the GAS DSOs transferring the assets towards the hydrogen operator, who will need to have important capital to ensure acquisition. This would be an important investment for DSOs operators under 100 000 customers, who would potentially have to reach out to outside investors, having direct implication on final customers and network fees. As a matter of fact, the latter would be obliged to repay the investments. Consequently, making the hydrogen grid charges significantly higher than what they would have been if the unbundling of the assets would have not taken place. Ultimately, this strong unbundling would be a strong deterrent for reconversion of the current grids towards hydrogen transport.

GEODE - The Voice of Local Energy Distributors across Europe
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www.geode.eu

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Support to Ukraine



GEODE Support for Ukrainian DSOs



Contact: Stanislav Kazda, RGC Ukraine.

He provided us with the following information:

Biggest problem now → **lack of stopping devices with flexible diameters up to DN500 and 10 bar pressure.** They would need 4 sets of these devices (including hydraulic drives and related accessories). 2 sets would be used directly by DSOs and 2 will be used by outsourcing companies that provide operation, repair and maintenance of gas infrastructure for DSOs.

They have a proven supplier of such devices that is already approved and used in the technical portfolio of DSOs (<https://fastra.info/stoppling-devices/>). Therefore, they would prefer to procure these stoppling devices from this manufacturer.



- **Delivery** → the easiest way is to deliver everything to the EU/UA border and their specialists will handle all the issues related to shipping to Ukraine, including customs and tax issues.



- **Documentation and donation contracts** → they would help arrange all deliveries as humanitarian aid. For this purpose, they can prepare formal letters from DSOs and municipalities with a formal request for humanitarian aid.

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Gas Regulation





Thank You!

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