

EFET Comments on Gas Package measures on Security of Supply for discussion in trilogue

Key points

- **Remove ambiguity** such that importation of Russian gas can be discouraged without creating barriers to its replacement
- Allow TSOs to agree **higher proportions of hydrogen** in blended gas systems to enable greater flexibility in decarbonisation pathways
- **Restrict joint purchasing to crisis situations only** to enable efficient market operation at other times
- **Limit transparency requirements to tenders only**, not to bilateral negotiations
- Hydrogen transmission and distribution should not merge, but **should follow same structure as natural gas operators**

Regulation

Article 5 – Third party access services concerning TSOs

Clarification of 5(6)

Paragraphs 1 to 5 shall be without prejudice to the possibility for Member States to take proportionate measures to temporarily limit, for a fixed term, up-front bidding for capacity ~~by any single network user~~ at entry points from the Russian Federation or Belarus in respect of incremental flows, where this is necessary to protect their essential security interests and those of the Union...

Article 7 - Third-party access services concerning natural gas storage, hydrogen terminals and LNG facilities and hydrogen storage facilities

Clarification of 7(7)

Paragraphs 1-6 shall be without prejudice to the possibility for Member States to take proportionate measures to temporarily limit, for a fixed term, up-front bidding for capacity ~~by any single network user~~ at LNG terminals for deliveries from the Russian Federation or Belarus, where this is necessary to protect their essential security interests and those of the Union...

(iv). are not invoked with respect to market participants solely on the grounds of their gas portfolio while there is no intention to use the regasification capacity for imports from Russian Federation of Belarus.

Justification

The proposed wording is ambiguous and could allow Member States to restrict network users who hold historic capacity agreements at entry points into the EU from Russia or Belarus, by preventing them from booking capacity elsewhere. Russian pipeline import volumes have reduced from 142bcma (2021), 62bcma (2022) to a current rate equivalent to 22bcma for 2023. **These proposals could make it more difficult for importers to replace remaining volumes and could introduce conflict with ongoing long term contracts.** Minor changes would retain the key intent of phasing out residual supplies from Russia and Belarus without creating inadvertent conflict.

Article 19 - Cross-border coordination of gas quality in the natural gas system

As experience is gained in managing gas blends in natural gas grids, and new technological solutions develop, **TSOs should be free to agree higher proportions of hydrogen** than the suggested level of 3%, thereby allowing greater flexibility and faster growth in hydrogen uptake.

Article 67 - Amendments to Regulation 2017/1938

Articles 7d/7da – Voluntary mechanism for the joint procurement of gas

The joint procurement mechanism has not been demonstrated to deliver greater availability of gas at lower prices than market conditions, and therefore does not justify the cost of maintaining the platform. **Its use should therefore be limited to emergency conditions when markets are unable to deliver the required gas.** Similarly, demand aggregation has proved to be an unnecessary burden when companies have no intention to source gas through the platform and should be voluntary only.

Article 7ea – Transparency and Information Exchange

This proposed addition in European Parliament text requires six weeks' notice of an intent to enter into negotiations or intent to conclude a supply contract. **This is a limitation on commercial parties' ability to contract freely and respond quickly to changing market circumstances.** It should be deleted in respect of bilateral negotiations though could be retained for tendering in conditions of a declared emergency.

Article 13 – Solidarity

Proposed measures by ITRE are highly detailed whereas in an emergency situation solidarity will be politicised between the countries of provider and receiver of solidarity. **Inclusion of specific terms is unlikely to cover all circumstances and may limit the set of actions that could be needed.** More general powers to act with appropriate consultation can be better coordinated with activity undertaken by commercial enterprises to provide solidarity.

Article 14a – Intra-day volatility management mechanism

Restrictions on pricing and the ability of market parties to respond to in-day events are more likely to damage liquidity by driving transactions off exchanges. **This should not be included.** Assumed manipulative behaviour can be monitored and investigated under existing legislation and exchanges at most liquid hubs already have procedures in place.

Regulation & Directive (various) - Hydrogen Transmission and Distribution

Proposals to remove distinctions between hydrogen transmission and distribution would introduce a different structure compared to natural gas which will inhibit conversion of existing grids. **EFET supports that transmission and distribution of hydrogen should not merge but should instead mirror natural gas.**