

**THIRTY-FIFTH MEETING OF THE  
EUROPEAN GAS REGULATORY FORUM  
29-30 April 2021  
CONCLUSIONS**

**Access of renewable and low-carbon gases to the existing gas infrastructure**

The Forum invites the Commission to come forward with proposals to facilitate the uptake of renewable and low-carbon gases, including a system of tradable Guarantees of Origin, whilst ensuring an integrated, liquid and interoperable EU internal gas market allowing for decarbonisation at least cost. The Forum underlines the importance of ensuring that renewable and low-carbon gases have access to wholesale markets, transmission and distribution networks, storage and other flexibility sources.

To this extent, the Forum underlines, taking into account the size of DSOs and offering *de minimis* rules where relevant, notably the importance of:

- a) Inclusion of the DSO level into the balancing zone of TSOs;
- b) Enabling connection and firm capacity at DSO level (by e.g. introducing reverse flow from DSO to TSO level).

The Forum debated whether there is a need for the abolishment of the regulated tariff on intra-EU IPs that could help to decarbonise the gas market, while at the same time increase gas-to-gas competition and solve the issue of the so-called tariff pancaking. In order to ensure the neutrality of TSO revenues the missing revenues would need to be allocated to the EU external borders, to domestic exit points as well as distributed in an Inter-TSO compensation mechanism. The Forum notes that an ITC mechanism needs to be agreed upon before considering whether to abolish the internal tariffs and stresses the challenges to agree on such a mechanism. The challenges and benefits need to be closely assessed, as numerous participants stressed that the EU gas market is functioning well with the current set-up. Some participants pointed out among others the potential of regional mergers in addressing the issue of pancaking and the potential to avoid such problems for the hydrogen network from the start of regulation.

**Integrated infrastructure planning**

The Forum supports more integrated infrastructure planning and an alignment between the network planning procedures at European and national levels. The Forum notes that scenarios used for network planning need to be in line with the European Union climate and energy efficiency targets. Transparency and stakeholder involvement, as well as involvement of the distribution system operators are widely supported. The cooperation between ACER, the ENTSOs and stakeholders should be strengthened. In this context, cross-sectoral cost allocation mechanism, notably for network investments, which would foster sector integration, were proposed.

## **Regulatory framework for dedicated hydrogen markets and infrastructure**

The Forum underlines the importance of hydrogen markets and infrastructure, including storage, distribution and import infrastructure, as means to ensure the role of hydrogen within a more integrated and flexible energy system. It emphasises the importance of hydrogen in hard-to-decarbonise sectors, as well as the need to take the technological, economic and environmental challenges of hydrogen into account.

The Forum invites the Commission:

- to design a fit-for-purpose regulatory framework for hydrogen that lays the basis for a competitive and efficient pure hydrogen market in Europe with unhindered cross-border trade, including the development of building blocks to kick-start and develop traded markets;
- to design enabling market rules for the deployment of pure hydrogen by removing barriers for efficient hydrogen infrastructure development, including barriers for repurposing or retrofitting existing methane infrastructure, and addressing the risk the potential natural monopoly character infrastructure may create for the entry of new players and competitive market outcomes.

The main principles of an appropriate market design for hydrogen should build on the existing successful EU market design for natural gas, including a clear separation (unbundling) between regulated network activities and market-based supply and production (including Power-to-Gas) activities, non-discriminatory third party access, transparency, customer protection, tariff principles, network development based on foreseeable demand – aiming at avoiding stranded assets - and appropriate supervision and governance.

In this context, the Forum invites the Commission:

- to consider together with national regulatory authorities how to fairly allocate costs of (newly built, repurposed or retrofitted) hydrogen infrastructure for all consumers;
- to propose an appropriate market design that provides investor certainty and enables the development of the various pathways of hydrogen production patterns and infrastructure deployment may take; a stepwise development may need to be considered;
- to ensure the coherence of the GO system necessary to optimise trading opportunities and market development.

### **Gas quality in the existing gas network**

The Forum invites CEN to finalise the process on the Wobbe Index standardisation and to continue its work in support of the use of renewable and low-carbon gases in gas infrastructure and gas applications.

The Forum invites the Commission to integrate gas quality and hydrogen quality considerations when re-examining the gas market regulatory framework, taking into account the challenges on end-consumer side. Considerations should include topics arising from the blending of hydrogen into the existing gas network as an alternative approach where dedicated hydrogen infrastructure is not yet available and other means of hydrogen transportation are not environmentally sustainable or technically or economically feasible.

### **Network Code implementation**

The Forum agrees that the implementation and enforcement of existing Network Codes remains a key priority to improve market functioning. The Forum encourages further engagement from all Member States, national regulatory authorities and market participants, supported by ACER and the Commission, to ensure full and proper implementation.

The Forum welcomes the ongoing work undertaken by ACER at the request of the Madrid Forum on allowed revenues including TSO benchmarking and remuneration with a forward-looking focus and ensuring more transparency about asset values.