WindEurope response to ACER consultation on «The Bridge beyond 2025 »

The EU has been at the forefront of international efforts to combat climate change. It was the first major economy to submit its intended contribution to the Paris Agreement and set ambitious targets to reduce greenhouse emissions, improve its energy efficiency, and increase the share of renewables in its final energy demand by 2030. However, 2030 is only a milestone in the long-term fight against climate change. Therefore Europe is already exploring how to become carbon neutral by 2050.

The European Commission has proposed a decarbonisation strategy by 2050. It shows that final energy demand should decrease drastically while **electricity use should increase significantly from the 24% share of final energy demand in 2030 to 50% if Europe is to achieve net-zero emissions goal in 2050[1].** The other half of final energy demand would be met by a combination of biomass, fossil gas, hydrogen, hydrogen derived gases and fuels. These results are confirmed by other analyses from private and independent organisations. WindEurope's Breaking New Ground report shows that a 62% rate of electrification is feasible and economically desirable[2].

The gas sector will have to transform radically in order to reach zero-net emissions by 2050. First, the demand for fossil gas must be reduced. Second, the use of low- and zero carbon gases and fuels has to be limited to those harder-to-abate sectors of the economy. Direct electrification with renewable electricity will deliver the bulk of decarbonisation in the economy. **Europe should opt for a renewables-based electrification wherever is available and whenever is possible.** Third, the investment in energy infrastructure should reflect a lower future demand for high-carbon gases and fuels.

This note summarises WindEurope's position on the future regulatory framework for gas in Europe. The statements below should be read alongside the consultation paper.

First, **a level-playing field and effective competition between gas and electricity is of paramount importance; this should be extended to all technologies** (electrolysers, power-to-heat and storage). For instance, grid tariffs should respect the basic cost reflectivity and non-discrimination principles already defined in Art. 18 Regulation 2019/943. These principles should also be further substantiated:

- Signals to customer must be aligned with actual grid cost structure
- Total grid tariff proceeds must be sufficient to recover the allowed revenues
- Avoid any form of cross-subsidisations between different categories of grid users

The level playing field between gas and electricity is reached by applying comparable principles and methodologies to determining the grid tariffs of both sectors. Therefore, extending the provisions in Art. 18(9) Regulation 2019/943 also to the gas sector and ensuring a consistent approach for both sectors, would be a step in the right direction.

Ensuring a level playing field between the gas and electricity sector is not just a matter of grid tariffs, as agents face additional charges, levies and taxes that in some cases are larger than the grid tariffs

[1] 1.5 TECH and 1.5 LIFE scenarios. European Commission, 2018. In depth analysis in support of the Commission Communication COM 2018)773. A Clean Planet for All. A European long-term strategic vision for a prosperous, modern, competitive and climate neutral economy.

[2] WindEurope 2018, Breaking new ground. https://windeurope.org/about-wind/reports/breaking-new-ground/

themselves. Electricity customers are bearing most of the decarbonisation effort, as electricity is the main vector for RES deployment. This is unfairly damaging electricity competitiveness vis-à-vis gas and, as a consequence, the necessary electrification process itself and its positive effects (e.g. energy efficiency and RES deployment).

Second, given the long life of energy assets and infrastructure planning, the **EU should focus its policies on direct electrification while allowing for the synergies between sectors i.e. sector coupling** (integration of energy supply-side sectors with all end-use energy consuming sectors).

Sector coupling will entail significant regulatory changes that should be tackled by the EU legislation and not only by modelling. The **European Commission should firstly adapt the market design and regulatory frameworks adopted with the Clean Energy Package for electricity to the gas sector** by aligning the rules in this latter towards a zero-net emissions pathway. The next package of legislative proposals for the gas sector, expected in 2020, **should avoid locking-in Europe with fossil gas in the long-term.** Then, it **should set the rules for coupling electricity and gas infrastructure** where and when is the most optimal way to reach net-zero emissions by "cross-vector integration". Last, it should focus on how to create the right market conditions and a regulatory framework that recognises the value of the greenest and most efficient solutions and of other benefits from sector coupling.

Third, **WindEurope believes that TSOs/DSOs should not be involved in competitive activities like Power-to-Gas, as they will have a potential conflict of interest when planning, granting access and operating / dispatching infrastructures**, i.e. the effective separation of networks from activities of production and supply is a fundamental pillar for achieving the objective of a well-functioning energy market. Moreover, TSOs and DSOs should not be involved in competitive activities that market players can perform more cost efficiently. It is important to underline that the third Liberalisation Package put this principle of unbundling at the heart of the European energy system and the recently adopted Electricity Directive (Directive 2019/944) reinforces this concept that network operators should not own, develop, manage or operate assets corresponding to competitive activities.

Therefore, WindEurope calls for a regulatory framework for sector coupling in which energy generation, conversion, storage, transmission and distribution are unbundled and market players, not regulated entities like TSOs and DSOs, drive the development and operation of assets.

The same principles and conditions defined in the Clean Energy Package for allowing TSOs and/or DSOs to own, develop, manage or operate electricity storage facilities should be applied to P2X (regardless whether eventually in the hands of electricity or gas TSOs and/or DSOs). This would indeed ensure a level playing field between electricity and gas and, hence, an efficient sector coupling.

Finally, **stronger oversight by ACER and NRAs will be necessary and the increasing importance of links between gas and electricity infrastructure shall be reflected in a new requirement for joint grid planning activities, at European and national levels**. Indeed, due to the significant uncertainties on the evolution of the demand for gas in the long run and due to the still incipient phase of cross-vector integration technologies, new investment decisions on gas infrastructure should be carefully assessed.