
Association of German Chambers of Commerce and Industry (DIHK)

ACER public consultation on the bridge beyond 2025 (PC_2019_G_06)

Relevance for German businesses

The progressing integration of the European internal gas market and the framework established to boost the uptake of zero- or low-carbon gas in sectors such as transport, housing and industry is of great importance for German companies. The design of market regulation at the European level has a decisive influence on the functioning of the gas market, for instance by establishing the framework for investment decisions which influence price developments as well as the quality and security of supply in Germany. Energy-intensive companies, often at the beginning of major value chains and facing international competition, are dependent on a cost competitive, high quality and secure gas supply. Germany also faces the challenge of phasing out coal, which is increasing the demand for gas in the electricity sector. Despite the more efficient use of energy, gas consumption by companies in Germany will, therefore, tend to remain stable over the next few years. At the same time, gas production within Europe is expected to decline, thus increasing demand for import capacities.

Detailed comments (mainly on consultation question 3)

Unbundling

Unbundling should remain a guiding principle in the design of future gas market regulation since it is to the benefit of end-consumers.

In principle, network operators should, therefore, not be entitled to engage in potentially competitive activities (such as to own, develop, operate or manage Power-to-Gas or biogas production facilities). Regulatory adjustments decided at the EU and national level should always aim at paving the way for the market-driven uptake of new technologies and linked activities.

If the market fails to provide for a specific product, its provision via the regulated domain is not automatically the second-best option. Rather, a thorough analysis of the

regulatory framework conditions needed to achieve a market-driven deployment should be the priority.

New products and activities (such as green and low-GHG gases)

An increasingly climate-friendly energy system requires new low-carbon gas products in the long run. Regulation should provide a **market-based framework** allowing **different technological solutions to compete** for market shares.

Policymakers should not replicate the errors in the gas sector that have previously been made in the electricity sector (in German and many other EU countries) that lead to the costly deployment of renewable energy via quotas and feed-in-tariffs. **Technology neutrality and competition** should be the guiding principles from the very beginning of decarbonisation efforts in the gas sector.

A concrete lever on the demand side is the review of EU climate legislation, such as the CO₂ regulation for cars/vans and lorries. A genuinely **technology-neutral approach** (i.e. through the adoption of a well-to-wheel approach) could boost the market uptake of low-carbon gas, especially in the transport sector.

On the supply side, EU state aid rules should classify the electricity-based production of hydrogen as an electricity-intensive activity. This might be one key instrument to decrease extra charges on electricity, which is the main input factor. Therefore, the regulatory treatment of Power-to-Gas should be thoroughly analysed to identify any obstacles to market penetration of low-carbon gases.

The **spread of CO₂ pricing** in the non-ETS sectors in Europe will enable the market penetration of decarbonised or low-carbon gases. Additional overlapping policies, such as **blending quotas** or **specific green or low-carbon gas targets at the national or EU level**, would jeopardise the effective functioning of CO₂ pricing systems and produce additional costs for consumers.

The **blending of hydrogen into natural gas** networks also comes with technical barriers, such as the needed retrofitting of existing gas networks and usage restrictions of end-consumers (e.g. specific industrial processes using gas as feedstock and gas power plants). The EU should, therefore, consider harmonising the framework for maximum blending thresholds to protect consumers and guarantee continued cross-border gas trade.

A more **targeted use** of green or low carbon hydrogen as fuel in the mobility sector, as feedstock in industries and as a raw material in refineries offers a considerable potential for market uptake that should be tapped first.

Clear definitions of green and low-carbon gases should be developed to pave the way for EU-wide trade. All gases that, from a lifecycle and net perspective, do not lead to GHG emissions should be considered as "green" in the sense that they are GHG neutral. The definition of low carbon gases should be based on technology-neutral GHG emission thresholds (GHG intensity). Clear rules and criteria need to be established for the entire EU, in order to avoid obstacles to cross-border trade. At the same time, current gas quality standards should persist to preserve the EU trade.

A simple and transparent framework for **guarantees of origin** (GOs) can also be the basis and booster for virtual and physical cross-country trade. GOs should not be granted for kWh produced in an installation subsidised via a support scheme. In any case, the same rules should apply in every EU country on this specific issue (GOs and support schemes).

Hydrogen grids

The application of the existing gas regulatory framework to pure hydrogen grids should be considered, notably if further analysis concluded that they were likely to evolve towards natural monopolies. This would also be the case, if CH₄ grids were converted to genuine H₂ grids.

However, hydrogen provided to a single industrial user should not face undue regulatory requirements (closed grids). The regulation of import terminals should also be envisaged in light of the foreseeable limited local production capacity and the consequent need for considerable imports.

Governance for infrastructure planning

Infrastructure planning based on scenario modelling should not be in the sole hand of network operators. Regulatory oversight and **involvement of consumer interests** are required. In future, gas and electricity networks might compete with each other, and even with other solutions when it comes to satisfying the increasing flexibility needs of the energy system.

Contact

Till Bullmann, heat market, fuels
bullmann.till@dihk.de, 0049 30 20308 2206

Julian Schorpp, European energy and climate policy
schorpp.julian@dihk.de, 0032 2 286 1635

Who we are

The German Chambers of Industry and Commerce (DIHK) is the leading organisation of the 79 Chambers of Industry and Commerce (IHKs) in Germany, representing 3.6 million companies in industry, trade and services. All companies in Germany - except crafts, free professions and farms - are by law member of an IHK. The DIHK also coordinates the network of the 130 German Chambers of Commerce Abroad as well as delegations and representative offices of the German economy in 90 countries.

(Nr. 22400601191-42 in the EU Commission`s Register for Interest Representatives)