

VIK Position

COMBINED EVALUATION ROADMAP / INCEPTION IMPACT ASSESSMENT HYDROGEN AND GAS MARKETS DECARBONISATION PACKAGE

09.03.2021

VIK welcomes the opportunity to participate in the consultation on the roadmap and inception impact assessment hydrogen and gas markets decarbonization package.

VIK supports the goal of the Green Deal to change energy markets in a non-disruptive and cost-efficient manner. However, the industries concerned are exposed to international competition. Hence, cost-efficiency and availability of climate neutral energy carriers at competitive prices are absolutely relevant to prevent carbon leakage.

We support the Commission's technology and cost-efficiency driven approach of fair competition to tackle climate neutrality and prevent any technological lock-ins. As laid down in the roadmap, gaseous fuels will continue to be used by 2050. The current European regulatory framework for natural gases and gas transmission networks has proved to be working and helped to establish a competitive and integrated European market. The expertise gained in the past decades of gas market development should be utilized to maximize regulatory effectiveness and efficiency for hydrogen regulation right from the beginning. The new hydrogen regulation must establish an extensive, unifying framework while at the same time providing enough regulatory freedom for member states to adapt to national requirements and developments.

This applies in particular to unbundling requirements, where we recommend translating and extending the existing framework of gas and electricity network regulation to hydrogen and low-carbon gases. For instance, transmission system operators should purchase balancing services on the market instead of directly operating dedicated electrolyzers or even H₂ storage. Similar to gas and power storage facilities, hydrogen storages are neither producers nor consumers and therefore require dedicated regulation.

In terms of hydrogen infrastructure and markets, the presumably cluster-like development of infrastructure could lead to local unregulated monopolies. The possibility to exert market power could prevent cheap access of consumers to hydrogen infrastructure and thus significantly slow down the transformation towards low-carbon industrial processes. In particular non-discriminatory access to grids and infrastructure has to be guaranteed by the regulation.

We recommend a dedicated hydrogen grid on transmission level to deliver pure H₂. On distribution level, blending of small quantities of hydrogen into gas grids might be possible as long as sensitive consumers are not located close to the injection point. However, the stability of the blending is of paramount importance, as already small fluctuations can severely harm industrial production processes even creating safety

concerns. Furthermore, blending of H₂ into natural gas infrastructure creates additional challenges and complexities regarding accounting and taxation.

The current tariffication system already provides a certain degree of cost-effectiveness and transparency. Any future changes should at a least match the current level. Reporting obligations to increase transparency are welcomed but the operational effort – and thus expense – to comply with reporting duties have to be adequate. Small customers should thus be exempt or obliged to a reduced set of reporting duties.

In order to cover the expected demand of hydrogen, the generation needs to be technology neutral. This necessitates an international classification system of hydrogen relying on the respective CO₂-footprint of the generation technology. Transparency for end-consumers regarding the generation technology has to be created by using guarantees of origin harmonized across the European Union.

Representing the German Industrial Energy Consumer, VIK is convinced that with prudent European regulation that applies years of experience of gas market development, hydrogen as an energy carrier will be able to support and accelerate the EU's ambition to reach climate neutrality within the agreed timeline.