GAS MARKET REFORM

Regulation (EU) 2024/1789 and Directive (EU) 2024/1788 on the internal markets for renewable gas, natural gas and hydrogen

WHAT'S IN IT?

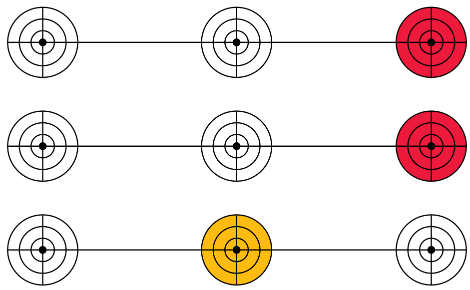
OBJECTIVE

GOOD PROSPECTS IN VIEW OF THE OBJECTIVE | MIXED PROSPECTS | A STEP BACKWARDS, UNDERMINING THE OBJECTIVE

Climate ambition
in view of respecting the limit of 1.5°C global warming under the Paris Agreement

100% renewables
accelerating the phase-out of fossils and nuclear

Fair participation
of citizens in the benefits of the European Green Deal



WHAT'S NEXT?

STATUS

Entered into force

MILESTONES

By December 2024
Delegated Act on greenhouse gas emissions savings from low-carbon fuels

By February 2025
Regulation applies

By August 2026
EU Member States to transpose the Directive

WHAT TO WATCH OUT FOR?

RISKS

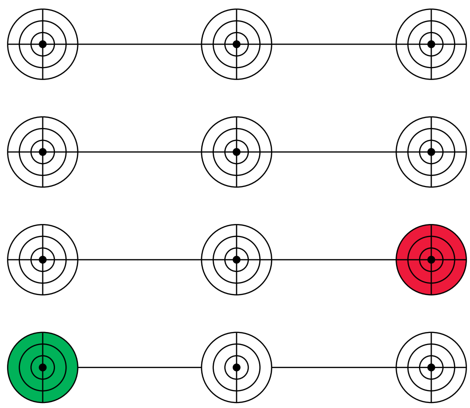
LIMITED RISK | MEDIUM RISK | HIGH RISK

Speed. Slowing down the EU law's progress or implementation.

Money. Conflict on distributional effects or lack of finance for making this EU law impactful.

Fossil fuels. Open door to supporting the use of fossil fuels.

Nuclear power. Open door to supporting the use of nuclear power.



NO RISK

N/A NOT APPLICABLE

WHAT'S IN IT?

Climate ambition

Missing a phase-out date for fossil gas. 'Diversifying' of gas supplies instead of targets to reduce import dependency. Supporting the market introduction of 'low-carbon gases' such as hydrogen from fossil gas combined with Carbon Capture and Storage (CCS) technology besides renewable hydrogen. Defining 'low-carbon hydrogen' and gases by a threshold of 70% greenhouse gases (GHG) emission reduction versus a fossil fuel comparator (Directive art. 2.11–2.13, art. 9). This could lead to a fossil fuel lock-in. New binding Network Decommissioning Plans (NDPs, Dir., art. 57), however, indicate that operators of fossil gas distribution networks have to prepare for a gradual fossil gas phase-out.

100% renewables

Missing prioritisation of renewable hydrogen against hydrogen produced with fossil fuels or nuclear power. Missing clear and legally robust rules for allocating scarce and expensive hydrogen potentials primarily to those sectors and industrial processes that are most difficult to supply with renewable electricity, allowing for very inefficient use of hydrogen, e.g. for low-temperature heating.

Fair participation

Allowing future hydrogen network operators to allocate exceptionally their costs among users of the existing fossil gas grid (Regulation art. 5). EU Member States can block third party access, thus limit competition in hydrogen networks until 2032 (Dir., art. 35–38). Unbundling of hydrogen grid operation and supply business is weakened.

Improving consumer rights (comparability of offers, billing and switching) by adjusting them to the level established in the electricity sector (Dir., art. 11–29). Obliging Member States to consult network users when fossil gas grids are decommissioned, providing guidance for protecting vulnerable and energy poor households in this case (Dir., art. 13, 27).

WHAT TO WATCH OUT FOR? RISKS

Speed | Money | Fossil fuels | Nuclear power

Fossil gas network operators could use the provisions of the gas market reform to cross-subsidise their new commercial activities in building and operating a new EU-wide (and potentially oversized) hydrogen network at the costs of remaining fossil gas grid users. There is a risk that gas consumers in many cases will have to finance new hydrogen infrastructure through the gas network tariffs charged on gas grid users. As there are little incentives for the decommissioning of gas grids while the number of customers connected to the gas grid falls continuously, the network tariffs will likely rise massively for remaining gas grid users.

The Delegated Act on the methodology for low-carbon fuels could become an important door opener for a continued use of fossil fuel-based gases, as well as for the potential use of nuclear power for the production of hydrogen.

WHAT'S NEXT?

STATUS
Entered into force on 3 July 2024

Transposition by EU Member States

By 5 August 2026. From 5 February 2025, the Regulation applies, except provisions on liquefied natural gas (LNG), security of gas supply, joint purchasing and the mechanism to support the market development of hydrogen that apply from 1 January 2025 and partly from 4 August 2024.

Revision clauses and reporting duties

By 5 August 2029, optional EC report on synergies across the hydrogen, electricity and natural gas sectors and potentially legislative proposals for integrating the European network operator organisations.

Delegated acts and other related legislative action

By December 2024, suggest a Delegated Act on the methodology for assessing greenhouse gas emissions savings from low-carbon fuels (Dir., art. 9), to be adopted by 5 August 2025.

HOW TO IMPROVE IT? OPPORTUNITIES

With the Network Decommissioning Plans imposed on fossil gas distribution grid operators, the Directive recognises the risks of stranded assets. As these plans do not have a clearly defined template or deadline, policy makers and civil society will need to monitor and leverage this process in view of launching a coordinated and socially just phase-out of fossil gas in general. A methodology for a socially fair cost allocation of gas grids with shrinking utilisation rates is needed urgently.

A potential revision of the Trans-European Networks for Energy (TEN-E) Regulation during the new legislative term could open a window to better prepare the EU's energy infrastructure for a fully renewable energy system, e.g. through joint planning and optimised coordination of all grid operators (electricity, gas, hydrogen and heat).

FURTHER READING

- Heinrich-Böll-Stiftung EU & Environmental Action Germany (DUH): The future role of gas in a climate-neutral Europe, June 2022
- CAN Europe: Gas Package Analysis: The Good, the Bad and the Ugly of the revised Directive and Regulation, April 2024

Authors: Wendel Trio (climate and energy policy expert) and Jörg Mühlenhoff (Heinrich-Böll-Stiftung EU) • designbysoapbox.com