

Joint Committee on Environment and Climate Action 22nd February 2022

Scrutiny of EU legislative proposals on the proposed revision to the Gas Directive, the Gas Regulation and a Regulation on Methane Emissions

Chairperson,

I welcome the opportunity to discuss with the Committee the Commission's proposals for the "Hydrogen and Decarbonised Gas Market Package", and the regulation of methane emissions.

On 15 December 2021, the European Commission published two legislative proposals revising the 2009 Gas Directive and Gas Regulation, with the aim of decarbonising the EU gas market by facilitating the uptake of renewable and low carbon gases, including hydrogen.

The underlying aim of the proposals is to create the conditions for a shift from fossil natural gas to renewable and low-carbon gases, in particular biomethane and hydrogen. They seek to establish a market for hydrogen, by creating the right environment for investment, and enabling the development of dedicated infrastructure.

The proposed new market rules will cover access to hydrogen infrastructure, separation of hydrogen production and transport activities, and tariff setting. The intention is that they will be applied in two phases, before and after 2030. There will be a flexible regulatory regime up to 2030. However, after 2030 they clearly signal that the rules will be similar to the current rules for natural gas, for example that hydrogen network operators must be fully ownership-unbundled, and regulated tariffs and open access to networks will apply.

The new rules are intended to make it easier for renewable and low-carbon gases to access the existing gas grid, by removing tariffs for cross-border interconnections and lowering tariffs at injection points.

Another priority of the package is consumer empowerment and protection. Similar to the provisions already applicable in the electricity market, the package provides for consumers to switch suppliers more easily, use effective price comparison tools, get accurate, fair and transparent billing information, and have better access to data and new smart technology.

In regard to the matter of security of energy supply, under the proposals for the Gas Regulation, amendments are also proposed to strengthen the resilience of the gas system, with a particular focus on the role of gas storage.

On 15 December 2021 the European Commission also published its proposals for a regulation on methane emissions. The legislative proposal on methane emissions reduction in the energy sector would establish a new EU legal framework that requires oil, gas and coal companies within the EU to measure, report and verify their methane emissions.

It also proposes that importers of fossil fuels would be required to submit information about how their suppliers perform measurement, reporting and verification of their emissions and how they mitigate those emissions with a view to the Commission introducing more stringent measures on fossil fuels imports by 2025.

Implications for Ireland

The aim of decarbonising the EU gas market by facilitating the uptake of renewable and low carbon gases is in line with the EU's climate targets and will help support the delivery of Ireland's ambition set out under Climate Action Plan 2021.

The proposals for hydrogen in relation to market access, a transitional approach to regulation and arrangements to move from a natural gas system are considered to be positive proposals, although need detailed consideration. Similarly, the proposals on gas security and integrated planning across electricity, natural gas and hydrogen should help support a planned approach to the energy transition. However, all of the proposals need to be carefully assessed in the context of Ireland no longer being directly connected to the EU market, now that the UK has left the European Union.

The provisions to mirror consumer rights those consumer right in the electricity market to those in the gas market such as improving the ease of switching supplier, greater transparency in billing information and more effective price comparison tools are positive developments.

The proposed Regulation on Methane include key transparency measures that are an important first step in addressing the methane emissions associated with natural gas imported into the EU. However, the proposals do not go as far as national policy envisages. In particular, the Policy Statement on the Importation of Fracked Gas (published in May 2021) sets out that

the Government will work with like-minded European States to promote and support changes to European energy laws in order to allow the importation of fracked gas to be restricted.

Consultation

On Friday 18th February the Department launched a consultation to gather the views of stakeholders and interested parties on this package, which will inform the further development of Ireland's position on the proposals. The closing date is Friday 15th April.