

POSITION PAPER IN RELATION TO THE PROPOSED GREEN PACKAGE

1. Eurogas welcomes the Green Package released by the Commission in January. The proposals represent in general an important step forward in the objective of tackling climate change issues. Eurogas is committed to the realisation of a secure, sustainable, and competitive European energy market and endorses the Commission's emphasis on intensifying efforts in the area of climate change policy. New or improved technologies for energy production/conversion, energy efficiency, and utilisation of a diversified mix of energy sources and vectors including renewable energy sources (RES) and other low carbon emitting technology offer sustainable ways of meeting Europe's energy needs. Policy should reaffirm the Community's confidence that within a diversified fuel mix gas will have a major role to play in ensuring a sustainable energy future.
2. In this short paper, Eurogas considers a range of issues arising in the package and comments on them from the perspective of the gas industry positioning on main issues.*

Greenhouse Gas Emissions Reductions

3. Eurogas welcomes the overall objective of improving and extending the EU Emissions Trading Scheme which has the objective of contributing to the goal of reaching the ambitious greenhouse gas emission reduction target in a market-based and economically efficient way. Eurogas supports specific measures to improve the effectiveness of the scheme as well as other aspects of the package aimed at reducing emissions of greenhouse gases.
4. The Emissions Trading Scheme, policies to promote renewables, the development of CCS, emissions control policies and energy efficiency - all have a part to play in reaching this objective. Measures, however, that are over-prescriptive and can potentially distort the market are to be avoided. The target of GHG emission reduction should be the top priority in the green package and maximum flexibility should be allowed to reach this overarching goal at least cost.
5. Eurogas strongly favours the introduction of a single Community cap for the Emissions Trading Scheme (ETS) post 2012 and supports an approach which minimises distortion within the EU, and which leads to the optimum macro-economic and environmental outcome. Energy efficiency policy and promotion of renewables both have important roles to play within Member States in achieving the overall greenhouse gas emissions reductions. With regard to the promotion of renewables, Eurogas favours Member States having the flexibility to use a mix of instruments, including a target for renewable sources best suited to their local conditions. Otherwise we are concerned that some RES schemes may turn out unrealistic, very expensive or less good for the environment (for example, current major debate on biofuels targets).
6. Eurogas recalls that natural gas can be used very efficiently in combination with RES, notably solar panels. Eurogas also supports the proposal that the potential for biomethane to be mixed with natural gas and transported in natural gas network also be explored, subject to bringing satisfactory solutions to any safety and technical concerns. Therefore the references to biomethane potential, as distinct from the more controversial biofuels, should be strengthened in the package and fair grid access conditions be determined.

* In May 2007, Eurogas issued a Position Paper on Sustainability and Energy Efficiency (07PP282)

7. Eurogas supports the Commission's position that the energy which is extracted by electricity and gas heat pumps from natural sources (air or water) should be considered as renewable and count for the RES-target only for the part which exceeds the non-renewables primary energy required to operate the system. Specific rules should determine how to quantify that part, taking into account the whole energy chain.

Energy Efficiency

8. Eurogas is concerned that there has been too little focus on the role of energy efficiency in some Member States, and equally that some of the measures now being envisaged may not lead to optimal results. Eurogas has particular concerns about a prescriptive approach being applied to new-build or renovated homes, beyond energy performance of building standards. Compulsory use of particular RES might lead to projects that are technically and economically less viable than other solutions. Also it should be recalled that gas is a fuel of choice for energy efficiency, and its possibilities in this respect should not be restricted.

Sectoral Issues

9. In the view of Eurogas, every sector should fairly contribute to GHG reduction and sub-targets per sector should be determined nationally on the basis of an equal marginal cost, in order to reach the global target at least cost. In the package so far, it seems maximum effort will be concentrated on the ETS sectors, but potentials in some Member States in other areas can also be examined to evaluate their potential contributions, avoiding disproportionate burdens.
10. Moreover, the transportation sector is mainly envisaged as contributing through bio-fuels, but this option is becoming more and more controversial. The potential benefits of natural gas as a transport fuel should not be overlooked. Natural Gas Vehicles (NGVs) can make substantial reductions in greenhouse gas emissions, producing around 20% lower emissions compared with their petrol equivalents.
11. The burden sharing should be spread over all sectors, but in as economically rational way as possible.

Important Role for Conventional Energies needs to be re-emphasized

12. The package gives prominence to CCS (see below), but it should not stay silent on the conventional use of fossil fuels which will represent for many years the major part of the energy consumption. It is important that among conventional energies, those based on natural gas such as CHP and CCGTs that have low impact on the environment receive fair treatment.
13. There should therefore be serious evaluation of the environmental impact of each and every energy source considering its primary energy content and based on harmonized principles at European level. According to such principles, heat pumps would only be considered "renewable" for the part of their production which exceeds their consumption of conventional energy. A tax treatment of the various energy sources consistent with these results should apply through simultaneous revision of the European energy taxation directive.

Renewables and biofuels

14. Eurogas welcomes the initiative to promote the use of renewable energy sources (RES) in Europe. However, in order to accomplish this goal in a sustainable way, it is of utmost importance that the measures taken are carefully evaluated from an efficiency and environmental perspective.

Biogas

15. Eurogas is concerned that biogas is given so little attention in the proposed directive. The potential for producing biogas from waste is important. Biogas offers similar advantages to natural gas, but in addition enjoys the advantage of its being a renewable energy source, produced from waste matter or crops. Recent technological advances and reduced production costs have given new impetus to this environmentally friendly approach, with 'second generation' biogas produced from sources such as forestry residues promising improved performance. While Eurogas does not support a specific 'green obligation' on gas suppliers, we recognize that biogas can be a very efficient means of utilising biomass in support of environmental objectives, and supports more specific references to gaseous biofuels in the Directive.

Renewables support schemes

16. Achieving the EU RES targets will be challenging. Eurogas, however, recognises the importance of encouraging the development of renewables, so that they can play their part in reducing greenhouse gases. At the same time they will contribute to greater supply diversity and thus security.
17. In devising mechanisms to support the introduction of such new energy technologies, Eurogas believes that member states should avoid overlapping policy obligations or approaches which entail high administration costs. Wherever possible, a harmonized approach should be adopted. Support schemes should be transparent, well-signalled and predictable, and transitional until RES mature into economic viability. The schemes should be designed to minimise market distortions and reach targets at minimum cost. Particular care must be taken that schemes do not produce excessive reliance on particular renewable options or inadvertently distort national or European energy markets.

ETS post-2012

18. In Eurogas's view, the new ETS system must be designed and organized to ensure transparency and investor confidence, and to deliver cost-effective CO₂ reductions, e.g. through Kyoto flexibility mechanism. Eurogas notes in relation to auctioning revenues that a lot of money will be at stake (€30 billion if the cost of CO₂ allowance is 30€/tonne but the market price will probably be higher).
19. Also we note the relatively low recycling of auction proceeds (20 %) towards energy projects. Eurogas considers that such revenues may usefully contribute to financing the mechanisms put in place to stimulate RES, low carbon, and energy efficiency projects.

Carbon capture and storage (CCS)

20. The proposed directive will have an impact on the competitive position of natural gas for power generation, as not only new coal but also gas fired power plants > 300 MWth would have to comply with the capture readiness provisions.
21. Eurogas considers that the development of CCS is potentially an important new technology to reduce global CO₂ emissions but that its deployment and that of any other (new) technology should not be mandatory but should be left to the decision of market players. The authorities' role is to determine the legal/regulatory framework which renders possible and stimulates the deployment of mitigating technologies; they should not mandate their deployment. Impact assessment studies should be part of the evaluation process.
22. For these reasons Eurogas considers that for technical, economic, and market reasons CCS is likely to be deployed in coal fired power plants and its deployment in the gas sector can be determined on the basis of increasing experience with the developing technology.