

Extension of the Demand Aggregation Platform – AggregateEU

Context

Eurogas, the representative organisation of the European Gas Industry, has been extremely active on the issues surrounding the energy crisis instigated by the Russian war on Ukraine. In response to the crisis the European Institutions brought forward a number of emergency measures to counteract the most negative impacts of the war on the energy markets, including the gas market. One of the key elements of the emergency measures was the creation of a mandatory demand aggregation target for Member States based on EU storage filling targets and accompanying this a demand aggregation tool – AggregateEU – was set up to support European companies to buy gas from non-Russian sources.

Eurogas has been an active member of the Industry Advisory Group, also set up to support the development of the AggregateEU platform. This advisory group has been committed to making the platform work and deliver on the required demand aggregation. While Eurogas has appreciated the collaborative and pragmatic establishment of the platform we have no real insight in to how effective AggregateEU has been in achieving its objectives.

AggregateEU has been set up on a time limited basis, with the aim of completing its work under the emergency legislation by the end of 2023.

An Extension of the Measure

Eurogas notes the intention of the European Commission to request an extension of the AggregateEU activities beyond 2023 from the Member States, on the basis of Article 122, due to ongoing uncertainty about gas supply and price stability in the market. Eurogas advised the European institutions to not be complacent about the forthcoming Winters and the need for gas, as we are still concerned that if the temperatures are low for a considerable period this Winter, much pressure will be placed on our reserves and LNG infrastructure this year and going forward to the next.

We can therefore understand the request of the Commission for AggregateEU to continue being available for use due to the ongoing war in Ukraine and the impact this has on gas supply, provided this is only for a maximum of twelve months and its use by gas undertakings outside of an emergency remains voluntary. We note however that non-EU companies registered in the UK or Switzerland that have been supplying gas to EU customers for years were excluded, which distorted competition.

However, Eurogas in principle does not support emergency measures, such as AggregateEU becoming a permanent element of the market design beyond its original term. A more permanent structure under the normal legislative procedure was not considered at the start of the emergency situation. As the gas market continues to work effectively to deliver much needed gas for Europe, we are confident that as supply and demand equilibrate the need for and relevance of such an emergency tool will cease to

exist.

We would insist that a full impact assessment and public consultation must be undertaken before any proposal for a permanent demand aggregation platform is made in European legislation. Its compatibility with European Competition Law must also be established and we would expect a legal opinion from DG COMP and the European Commission Legal Services before such permanence is considered. Only once these criteria have been fulfilled should we begin to discuss the need for such a tool to complement the success of the single EU gas market.

To reiterate, Eurogas is not convinced of the need to make the AggregateEU platform a permanent structure, even if the intention would be to mandate its use only in times of emergency.

An Extension of the Measure to other Gaseous Energies

We remain sceptical about the intention of the European Commission to expand AggregateEU to hydrogen purchasing. We understand that the European Commission consider that biomethane is already covered by the existing platform, although it is not clear what efforts have been made to encourage biomethane producers to engage with the platform or how it would cope with the intricacies resulting from the many different greenhouse gas intensities, delivery points and certification schemes prevailing in the biomethane market.

Eurogas supports targets for the delivery of renewable gases in Europe by 2030, we have consistently called for a binding EU-level 2030 target for a minimum share of renewables gases in combination with greenhouse gas intensity reduction target of gas consumed. To this end we have supported the indicative targets in the REPowerEU Communication of May 2022, to achieve 35bcm of biomethane and 10 MT of domestically produced hydrogen by 2030. We have also supported the objective of 10MT of imported hydrogen by 2030, though have maintained a reservation on this subject, requesting more details and financial instruments for such an objective from the European Commission. So far, we have not seen any initiative or legislative proposal that will deliver anything like this level of imports.

Given that the AggregateEU platform was developed due to an emergency situation we are also unsure how this relates to the purchase of hydrogen which, as of today, is not in crisis but is at a nascent state of development with significant uncertainties around contract structures, subsidies and business models. Therefore, the grounds upon which the Commission is seeking to develop demand aggregation for hydrogen remain unclear and are premature.

We understand that the demand aggregation platform could in theory and in due course, support the purchase of hydrogen from overseas. However, it is not clear how the platform will support this hydrogen to materialise and as such we should focus more on delivering the hydrogen through building relations with third countries to develop export capacity, developing the infrastructure we would need in Europe to facilitate such imports and clarifying the rules applying to imported renewable hydrogen.

These are the first steps that are necessary, and only if the nascent hydrogen market fails to develop at the pace necessary to meet EU ambitions should extraordinary measures be considered.

As it stands, it is not clear what benefit such a platform would bring and how it would function alongside other incentives such as PPAs and feed-in-tariffs for hydrogen which are likely to be deployed here in Europe. Before bringing forward a clear proposal for the extension of the platform to hydrogen, with justifications, the European Commission must undertake an impact assessment and a full public consultation.