



Securitisation challenges and decarbonisation opportunities for the EU gas market

EU risk-preparedness: from the early warnings to the present crisis

Anne Houtman IAEE Webinar, 7 September 2022

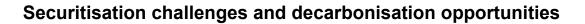




Three parallel evolutions

- EU progressive gas market integration: security of supply becomes more and more an EU issue (vs a <u>national</u> one)
- EU Eastern enlargement following the fall of the USSR
 - several (« new ») Member States not connected to the EU gas market and 100% dependent on Russian gas
 - Russia using gas as a political weapon (« wake-up calls » of the UKR/RUS gas crises)
- Increased EU gas dependency (2000: 66% 2019: 90%)
 - EU gas production halved over last 10 years
 - stable/increasing gas consumption
 - imports doubled over last 30 years (Russian share up to 44%)

HENCE the EU did prepare for the risk of disruption of gas supply (and progressively reinforced its framework)



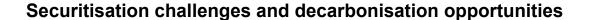




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Evolving EU gas SoS framework before the crisis DE BELGIOUE

Events	EU (re)action
EU gas market opening	2004 first EU (light) SoS rules: Directive 2004/67/EC
2006 & 2009 RUS-UKR gas disputes	2010 Reinforced SoS rules: - Gas SoS Regulation 994/2010 - IGA Decision 994/2012
2014 Annexion of Crimea	2014 Stress Tests and EU Strategy on SoS (ESSS)
2015 Continuing RUS/UKR tensions (& Paris Agreement)	2015 Energy Union 2016 Strategies on LNG & storage and on Heating & Cooling 2017 Still reinforced SoS rules - Regulation 2017/1938 - IGA Decision 2017/684







Where were we before the crisis? (1)

- A more integrated & better functioning EU gas market ... but still unfinished work (e.g. liquid N-W vs Central, East, S-E)
- Better infrastructures (TEN-E and PCIs i.e. Trans-European Networks for Energy and Projects of Common Interest) e.g.:
 - Connecting <u>national</u> markets w.i. EU: more inter-connectors between MS (with reverse flows)
 - Connecting with <u>external</u> suppliers: more LNG terminals & pipelines w/ 3rd countries (e.g. AZ)
 - Increased storage capacities (eg. SP, PT, LT, HR, ...)
- Clear responsibilities between gas undertakings, MS (& competent authorities) and the EU (Commission, ENTSOG)



Where were we before the crisis? (2)



- More coordination (e.g. «Gas Coordination Group» since 2004)
 & cooperation between regions and actors
- More transparency (e.g. on IGAs & contracts) and information exchanges, also allowing better compatibility w/ EU law (e.g. destination clauses)
- A 3-level crisis declaration mechanism: «early warning», «alert» & «emergency»
- Risk-preparedness:
 - Risk <u>Assessment</u>: N-1 infrastructure standard + supply standard for « *protected consumers* »
 - National/regional <u>Preventive</u> Action Plans and <u>Emergency</u> Plans



et société

Securitisation challenges and decarbonisation opportunities



Where were we before the crisis? (3)

 In the event of an extreme gas crisis, a solidarity mechanism between connected MS for «solidarity protected consumers», on the basis of « fair » compensation

But also:

A more developed EU Energy and Climate Diplomacy

AND, in synergy with climate objectives

- Efforts to moderate demand
- Increased domestic energy production (renewables)



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The EU is better off ... BUT NOT enough!! WHY?

- Crisis worse than any anticipated scenario: the « perfect storm »
- Gap between theory and practice (incl. political sensitivity)
 e.g. solidarity mechanisms & their compensation, NIMBY
- No or weak EU framework on some issues:
 MSs' choice of supplier; storage: no EU obligation on volume/
 property; injection of alternative gases; cybersecurity, etc...
- Implementation gap: MS dragging their feet, for example on
 - infrastructures (ex.: Midcat)
 - diversification engagements (ex.: NS2, RES targets)
 - permitting of renewable projects
 - promoting moderation of consumption
 - ... or simply disagreeing (e.g. on joint purchases)





= many failures in climate & energy democracy

- Governments must do better to
 - stick to their engagements and to (EU) law (for ex. on solidarity with other MS, on building renovation, ...)
 - protect the general interest (SoS, climate, energy poverty/access)
 - control their enterprises
 - provide better information & tell (difficult) truth in clear terms
 - mobilise populations: facilitate participation (sobriety, PV, DR, ...) and foster acceptability of infrastructures & renewables projects
- Enterprises must do better on social and environmental responsibilities
- Citizens must do better to
 - monitor the fulfilment of their governments' engagements
 - challenge their authorities
 - participate in the energy transition (as prosumers, in demand response)
 - save energy
 - be solidaire





The EU reaction: an updated framework (1)



Date	Name/Subject	Content	Type of document/ Tool	Reference
13 Oct.2021	Energy prices	Toolbox for action and support	Communication	COM(2021)660
15 Dec. Fit-for-55 2021 Gas Market Pa	Fit-for-55 Gas Market Package	New rules for the Internal Markets in renewable and natural gases and in hydrogen to facilitate the penetration of renewable and low-carbon gases into the energy system	- Proposed Directive IM gas & H2 (recast) - Prop. Regulation IM gas & H2 (recast)	COM(2021)803 COM(2021)804
		Reduction of methane emissions	Prop. Reg. methane	COM(2021)805
	Fit-for-55 (others)	Revision of the Directive on the Energy Performances of Buildings (EPBD)	Prop. Directive (recast)	COM(2021)802
		Recommendation on a fair transition to climate neutrality	Prop. Council Recommendation	COM(2021)801
	Sustainable Carbon Cycles (capture, recycling, transport & storage)	Communication	COM(2021800	
		Calculation on Renewables in Cooling and Cooling Networks	COM Delegated Reg.	Com.Del. Reg. (EU) 2022/759
8 March 2022	REPowerEU	Joint EU action to reach Independence from Russian fossil fuels by 2030	Communication	COM(2022)108
23 March	Winter Preparedness	Gas storage obligations by 1 Nov (80%-2022, 90% in subsequent years)	Prop. Am. Reg. 2017/1938 & al.	COM(2022)135
	State aid	Temporary crisis Framework	Communication	OJ C 131 of 24.3.2022 p.1-16
24-25 March	European Council	Phasing out EU dependency on Russian fossil fuels & relief from high prices	Conclusions	EUCO 1/22 para. 15-19
25 March	Energy Diplomacy	EU- US cooperation on energy security	Joint Statement Biden- UvdL	STATEMENT/ 22/2041





The EU reaction: an updated framework (2)



8 April	Joint purchasing	1st meeting of the EU Energy Platform to secure supply of gas, LNG & Hydrogen	Press release	IP/22/2387
18 May 2022 REPowerEU Plan	REPowerEU Plan	Plan to reduce dependence & accelerate the energy transition - Annex 1: Fitfor55 potential & investment needs, - Annex 2: maps - RES potential, - Annex 3: Infrastructure needs - SWD: investment needs, H2 accelerator, biomethane plan	Communication + SWD	COM(2022)230 SWD(2022)230
		EU 'Save energy' plan: immediate voluntary savings & medium/ long term structural measures acceleration	Communication	COM(2022)240
	EU External Engagement Strategy	Communication COM & EEAS	JOIN/2022/23	
	EU Solar Strategy to double PV capacity, incl. Rooftop Initiative, Industry Alliance & Skills partnership	Communication	COM(2022)221	
		Amendments to RED2, EPBD and EED	Prop. Directive	COM(2022)222
	Guidance to simplify and accelerate permitting procedures & Power Purchasing Agreements (PPA)	Recommendation & 2 Working Documents	C/2022/3219 SWD(2022)149 SWD(2022)151	
	Geographical data to help identify « solar installations	Geographical data to help identify « go-to » areas for wind and solar installations	Digital mapping tool	https://energy- industry- geolab.jrc.ec.eur opa.eu
Hydrogen (H2)	Definition of Renewable H2: calculation of life-cycle emissions of ren.H2 & recycled carbon fuels to meet GHG thresholds of RED	COM Delegated Reg.	Draft for consultation	
		Production of Renewable H2: criteria for RFNBO to be renewable H2	COM Delegated Reg.	Draft for consultation
	RFF	REPower chapter in MS' Recovery & Resilience Facility (RFF) plans	Prop. Regulation AM RFF Reg 2021/241 & al	COM(2022)231
		Guidance on RRF plans in the context of REPowerEU	Recommendation	COM notice





The EU reaction: an updated framework (3)

	Electricity Market	Short-term Market Interventions & Long-term Improvements - course for action	Communication	COM(2022)236
30-31 May 2022	European Council	Accelerate delivery on REPowerEU objectives (rapid reduction of Russian dependency, system resilience, interconnections etc)	Conclusions	EUCO 21/22 para. 27-30
23 June 2022	Energy Diplomacy	EU-Norway statement on Strengthening energy cooperation	Statement	STATEMENT/ 22/3975
23-24 June 2022	European Council	Invitation to explore with international partners ways to curb rising prices & to ensure closer energy coordination bw MS	Conclusions	EUCO 24/22 para. 24-26
29 June 2022	Gas storage	Council adopts Regulation on gas storage obligations to prepare for the Winter	Regulation of Council & Parliament	Regulation (EU) 2022/1032
18 July 2022	Energy Diplomacy	EU-Azerbaijan new partnership	Press Release	IP/22/4550
20 July 2022	Save Gas for a Safe Winter	Gas Demand Reduction Plan: Substitution, Solidarity, Sobriety	Communication	COM(2022)360
		Common EU tool to coordinated Demand Reduction (target: 15% for 2022 Winter)	COM Prop. New Regulation	COM(2022)361
	State aid	First Amendment to the Temporary Crisis Framework	Communication	OJ C280 of 21.7.2022 p.1-13
5 Aug.2022	Demand reduction	Council adopts regulation on coordinated demand reduction measures	Council Regulation (Article 122 TFEU)	Council Reg. 2022/1369





Now ALL actors need to act FAST!

In a nutshell, implement EU decisions & policy initiatives:

- To protect vulnerable consumers: e.g. EC Toolbox (action: public authorities)
- To accelerate the Energy Transition: e.g.
 - As a priority, reduce energy consumption e.g. gas by > 15% (action: ALL)
 - Accelerate the deployment of renewables e.g. accelerate/facilitate permitting & PPAs, double PV capacities, facilitate access of decarbonised gases to the market, etc ... (action: public administrations, enterprises, consumers)
- To optimise existing infrastructures and arrangements: e.g.
 - Fill in storage: > 80% by 1 November 2022 and 90% in subsequent years (action: natural gas undertakings)
 - Update preventive and emergency plans and prepare solidarity measures
 - Intensify energy diplomacy with producer/transit countries to diversify sources, (e.g. increase LNG supply) and use the EU Energy Platform/ negotiate joint purchases of gas and H2 (action: COM, EEAS, national services)





Thank you!

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