

Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

Introduction

Fluxys is a fully independent gas infrastructure group headquartered in Belgium. We contribute to a sustainable energy future and our passionate teams secure reliable and affordable energy flows into the market. Over the last decade we have become a reference partner for gas infrastructure projects and ventures across Europe. Our ambition is to keep stepping it up and develop into a preferred gas infrastructure partner outside Europe as well.

Fluxys welcomes the European Commission public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG) and thanks DG-Competition and the Commission for the opportunity to participate. We would like to submit some comments, hoping that these could be of help to the successful support and the timely and efficient achievement of the Transition targets set by the Green Deal and all the National Policies.

General Comments

- I. Fluxys is fully aligned with the Commission on the need for open access to energy infrastructure, transparency and non-discriminatory conditions. Fluxys welcomes the Commission intention to fully scrutinise all the measures that are not fully 2050-proof, with the double target to avoid added lock-in and the creation of stranded assets. However, we would like to highlight that emission mitigation measures for already existing investment can contribute to a fast effective decarbonisation at reasonable costs and should therefore also be recognized.
- II. In this sense, hydrogen and low-carbon molecules will play a key role in the transition to a decarbonised economy and should be adequately supported. Hydrogen and low-carbon molecules will enable synergies via sector coupling (higher energy system efficiency), lower costs for renewable energy integration and also help to create the much needed mass seasonal storage at accessible costs. Natural gas infrastructure can be affordably repurposed for this end.

- III. When enlarging the scope of the Guidelines to all the new areas (mobility, heating, industry and others) whilst increasing the ambition of targets, it would be essential that a technological level playing field is preserved using the principle of efficiency first and a whole system approach. Integrated planning has merits for it and should support the creation of sector synergies.
- IV. It is important to notice that the whole gas infrastructure can be used to transport biomethane and synthetic methane already today and with no adaption costs. This polyvalence potential should also be weighted in for pipelines and gas.
- V. A technology-neutral, whole system approach, preserving the role of markets and putting efficiency first should guide all policy decisions related to granting support.
- VI. Aid schemes should incorporate all technologies with potential to decarbonise the economy. The possibility for more restricted eligibility (to some support schemes) for a subset of certain technologies should be avoided, insomuch the technology to which that is referred would already be a mature one.
- VII. For the security of supply (SoS) in the electricity sector,¹ regarding the philosophy that users that consume electricity during peak times should bear the costs to help support demand side response flexibility; we would have two main comments. We generally support the principle of "polluter pays". We would like to highlight that the adequacy (SoS) and flexibility problems are interrelated but different in nature. It would be essential to ensure that no user is made inflexible by the regulation. In relation to this, the rule for additionality for RFNBOs² and renewable hydrogen as is currently being discussed (temporal and geographical correlation, among other rules) would incentivise all the agents operating electrolyzers fed with renewable electricity (if these want to get their gas guarantees of origin) to keep consuming renewable electricity even in times of relative electricity scarcity (this, instead of stopping production and using the stored hydrogen³ which would be the system optimal and also their preferred choice since at these times electricity would also be expensive). This concept of correlation is a bit paradoxical since CACM⁴ for electricity already deals with all congestion via markets. Extended additionality⁵

¹ Please see §324 in the CEEAG.

² Renewable Fuels of Non-Biological Origin.

³ Effective way of storing electricity without the need for a round-trip from electricity to H2 and back.

⁴ Capacity Allocation and Congestion Management Regulation.

⁵ The additionality concept is based on the idea that renewable electricity is better used as such to avoid conversion losses and the need to use fossils to cover these renewable losses. Indeed it is true that converting electricity into hydrogen implies some energy losses. But the idea is also incomplete in the sense that if a whole system analysis is performed (forced curtailments of renewables due to lack of transport capacity, cost of transport and ancillary services, congestion and lack of import

(correlations and all other rules) is being discussed for Hydrogen/RFNBOs electricity demand only, disrupting the sector coupling synergies of renewable hydrogen and its potential capability to perform mass seasonal regulation and the integration of renewables via storage. The negative effects mentioned on market functioning should be avoided via CEEAG or (better) within the incoming RED-III and its own delegated acts. The role of markets should be preserved and distortions should be avoided (please see also Footnote 5 for more explanations).

- VIII. When considering new types of infrastructure to support it would be essential that mass renewables import facility terminals, P2X system coupling facilities generating synergies across infrastructures and digital are considered in the maximum extent that is possible (to generate cost savings and foster efficiency). Carbon Capture Utilisation and Storage (CCUS) infrastructure will also have a key role in abatement and this should get full attention. In general all infrastructure that is future proof and capable to help decarbonisation should be eligible (including operational costs).

capacity system price impacts, infrastructure investment costs and all others implied) then green hydrogen generation becomes a benefit rather than a cost to the system (and in any case this should be left for markets and CACM interplay to judge...) Moreover, it is questionable why only green hydrogen and RFNBOs demand would have to face this rule.