

## Gasunie response to the revised General Block Exemption Regulation

Gasunie is a European energy infrastructure company. We transport natural gas, biomethane and hydrogen and offer a broad range of other energy services including LNG regasification, bunkering and gas storage. Gasunie is involved in numerous hydrogen, heat, biomethane and CCUS projects in the Netherlands and Germany. For more information see [www.gasunie.nl](http://www.gasunie.nl).

We welcome the revision of the General Block Exemption Regulation as we believe that the goal of combatting climate change and reducing CO<sub>2</sub>-emissions will require state intervention, especially in the next decade. The solutions needed for the next decade still need to be determined and will probably not be one-size-fits-all schemes. We therefore advise to focus on general principles which support competition and a well-functioning internal market, instead of detailed and specific prohibitions.

In our response we highlight 1) the need to **enable energy infrastructure** by reviewing the current definition of dedicated infrastructure, more explicitly referring to offshore hydrogen and CO<sub>2</sub> infrastructure, and allowing for OPEX aid for hydrogen infrastructure; 2) **promoting both renewable and low-carbon hydrogen**; 3) **aligning the definitions** of low-carbon and renewable hydrogen with the relevant legislation; and 4) **adapting competitive bidding for hydrogen** to help its development.

### Energy infrastructure

#### *Dedicated infrastructure*

It is stated that assets listed under the definition for energy infrastructure (Article 2(130)) which are built for one or a small group of *ex ante* identified users and tailored to their needs qualify as 'dedicated infrastructure' and therefore do not qualify as 'energy infrastructure'. In our view, a nuance to the definition of 'dedicated infrastructure' is needed. In some cases it may be inevitable that infrastructure is built (at least initially) for a small group of *ex ante* identified users, i.e.: first movers, based on non-discriminatory principles such as third-party access. When the infrastructure is already up-and-running (and/or the market has matured), other parties may also become interested in using this infrastructure at a later stage.

The infrastructure should not be considered as dedicated infrastructure (and hence be excluded from funding) solely because the infrastructure at that time is built for a small group of first movers. Rather, a case-by-case analysis of the infrastructure utilisation should be allowed and flexibility should be given at Member State level to determine whether the infrastructure will indeed not be designed to selectively favour a specific group of users over others. Also a broader societal/welfare benefit resulting from the creation of this infrastructure must be taken into account (i.e.: energy transition at lowest societal cost).

#### *Offshore infrastructure*

There is some imbalance between electricity infrastructure and other infrastructure in the definition of energy infrastructure. For example, offshore infrastructure falling under the scope of electricity infrastructure is described in detail, and even specific details on hybrid use are introduced. It is unclear why this is the case and what this

means for hydrogen (including repurposed offshore gas pipelines) and CO<sub>2</sub>, whose offshore components are left out. We call on the European Commission to include these in the definition as we expect the potential for these gases, especially offshore hydrogen production and transport via pipelines, to emerge in this decade.

For hydrogen, it would be mainly due to its increased benefits in terms of energy system integration, thereby increasing harnessed renewable energy and alleviating the burden on the electricity system. For CO<sub>2</sub>, the need for a combined network at sea (from multiple onshore sources) linked to offshore storage is seen as a prerequisite to reach our greenhouse gas emission reduction targets in hard-to-abate sectors. Finally, the definition for CO<sub>2</sub> should not only include pipelines but also all infrastructure and equipment including ships, railways and trucks, used to transport CO<sub>2</sub> from more than one source.

#### *Operational aid for hydrogen infrastructure*

Aid for energy infrastructure is limited to investment aid. However, operational costs should also be allowed for hydrogen infrastructure, especially in the market ramp-up phase. Support to develop hydrogen infrastructure based upon existing natural gas infrastructure needs to take into account that infrastructure is built for the future market, possibly resulting in higher capital and operational costs. While the operation of natural gas network infrastructure is usually financed via tariffs (no state aid necessary), hydrogen infrastructure development requires a flexible approach as the market state is different. Hydrogen infrastructure projects can be supported by state aid to reduce the required equity financing amounts, thereby reducing transmission tariffs, as the share of the investment now covered will not be reflected in the customer's tariff. Government support will be one way, among others, to help develop the hydrogen infrastructure, and the revised GBER should thus allow aid for operational costs (or a combination of capital and operational cost) of hydrogen pipelines.

#### **Promoting both renewable and low-carbon hydrogen**

Recital 8 states that aid for the promotion of hydrogen should be considered compatible with the internal market and be exempted from the notification requirement of Article 108(3) of the Treaty, only insofar as exclusively renewable hydrogen is produced. As renewable hydrogen volumes will be low in the start-up phase of the hydrogen market, low-carbon hydrogen could act as a catalyst for the market, increasing the utilisation of hydrogen infrastructure and already allowing end-users to switch to hydrogen.

Furthermore, aid for environmental protection can already be given to investments in equipment, machinery and industrial production using hydrogen to the extent that the hydrogen used qualifies as renewable or low-carbon hydrogen (Article 36(1a)). Both renewable and low-carbon hydrogen should therefore be promoted.

### **Aligning definitions**

#### *Definition of low-carbon hydrogen*

This definition includes conditions on determining the carbon content of electricity-based hydrogen, which will be based on the marginal generation unit in the bidding zone where the electrolyser is located in the imbalance settlement periods when the electrolyser consumes electricity from the grid. In practice this means a 15-minute temporal correlation condition for low-carbon hydrogen production. The definition for low-carbon hydrogen should be based on the definition in the recast gas directive to avoid multiple definitions.

#### *Definition of renewable hydrogen*

GBER refers to the conditions determined in the delegated act pursuant to Article 28 of the RED II for the definition of renewable hydrogen. A reference should also be made to the delegated act on additionality pursuant to Article 27(3) of the RED II as it sets the rules for determining whether hydrogen is renewable.

### **Competitive bidding**

In general, competitive bidding seems to be a standard mechanism, which for hydrogen needs to be adapted to help its development. For instance, it should be possible for the renewable electricity competitive bidding process to go hand in hand with dedicated hydrogen production, incentivising the development of hydrogen capacity with new and dedicated renewable electricity capacity.