

Gas in a sustainable future

Implications of the clean energy package to gas & the EnC

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Outline

- Clean Energy Package
- Sustainable Financing Interim Report
- Where is relevance for gas?

Clean Energy Package

Focus on:

- Renewable Energy Directive Recast (RED II)
- Energy Efficiency Directive (EED)
- Energy Performance of Buildings Directive (EPBD)

Renewable Energy Directive (RED II)

State of play

- Report from Rapporteur suggests:
 - 35% EU overall renewables target
 - Binding targets also suggested at national level
 - Transport-specific target introduced at 12%
 - Non-retroactivity introduced on support schemes (which are also broadened beyond ‘electricity’ to ‘energy’)
 - GO text more explicit on double compensation avoidance
 - Renewables in Heating & cooling is raised to 2% and is mandative (MS ‘shall increase’ v. ‘shall endeavour’)

Renewable Energy Directive (RED II)

Policy asks

- Equal treatment for different types of renewable energy
- Using a holistic approach to energy policy, which is necessary to unlock opportunities of an integrated energy system across borders and energy types
- Maintain MS flexibility with respect to measures and targets (including heating and cooling).

Renewable Energy Directive (RED II)

Key messages for input to process

- Gas enables renewable energy deployment, particularly in providing much needed energy storage. It also can be renewable itself. As a whole, gaseous energy and its associated networks can play a critical role in the decarbonisation of Europe's energy mix.

Energy Efficiency Directive (EED)

EU objective

- To revise the Energy Efficiency Directive in order to meet the EU's target for Energy Efficiency in 2030 (and change it?). Energy efficiency is one of the EU's main tools to reduce greenhouse gas emissions.

Energy Efficiency Directive (EED)

State of play

- Rapporteur's Report: emphasis on treating EE as a topic of system relevance, and not just an end-use. This means focus called for on primary energy, not final energy.
- The report also calls for a 35% binding target for the EU (not for individual MS).
- ITRE's 694 amendments include a range of target suggestions (existing 27% , EPP, et al - 40% Greens et al).

Energy Efficiency Directive (EED)

Policy asks

- Target for EE for 2020 should not be amended and 2030 target should be based on primary energy and not final energy.
- There should be no reduction in the flexibilities in the current version of Article 7.
- Primary energy factor for electricity should be 2.2 or higher, as opposed to 2.0.
- Measures to promote energy efficiency should be coherent, proportionate and essentially market-driven.
- They should also focus on energy efficiency across the spectrum and not target specific energy carriers.

Energy Efficiency Directive (EED)

Assessment

- Council is accepting a proposed 30% EE target (June 26) but as indicative and not binding (contrary to EP trend).
- Council seeks to have the 1.5% annual savings requirement drop to 1% automatically in 2026 (subject to EC assessment in 2024).
- ENVI will be voting for 40% while discussion within ITRE continues to be mixed

Energy Performance of Buildings Directive (EPBD)

EU objective

- To revise the Energy Performance of Buildings Directive (EPBD) with a focus on Member State road maps, building characteristics and inspection of heating systems.

Energy Performance of Buildings Directive (EPBD)

State of Play

- Rapporteur's draft report extended milestones from 2030 to 2050. Council seeks the same, but in an indicative manner.
- Council is also coming in with softer wording than Bendtsen's report toward issues like smart buildings ('voluntary') energy poverty ('take account') and financial mechanisms ('consider').
- Brendtsen's Report leaves EV charging requirements in place (Art 8.2) and most EP amendments on the topic seek to strengthen this, with the exception of a few seeking technology neutrality.

Energy Performance of Buildings Directive (EPBD)

Policy asks

- Roadmaps should not require full decarbonisation by 2050.
- Obligations for e-mobility installations in renovated and new buildings should be broadened to alternative fuelling points which could include gas fuel stations.
- Deeper consideration of Europe's renovation rate is warranted in order to focus on the barriers that Member States are facing.

Energy Performance of Buildings Directive (EPBD)

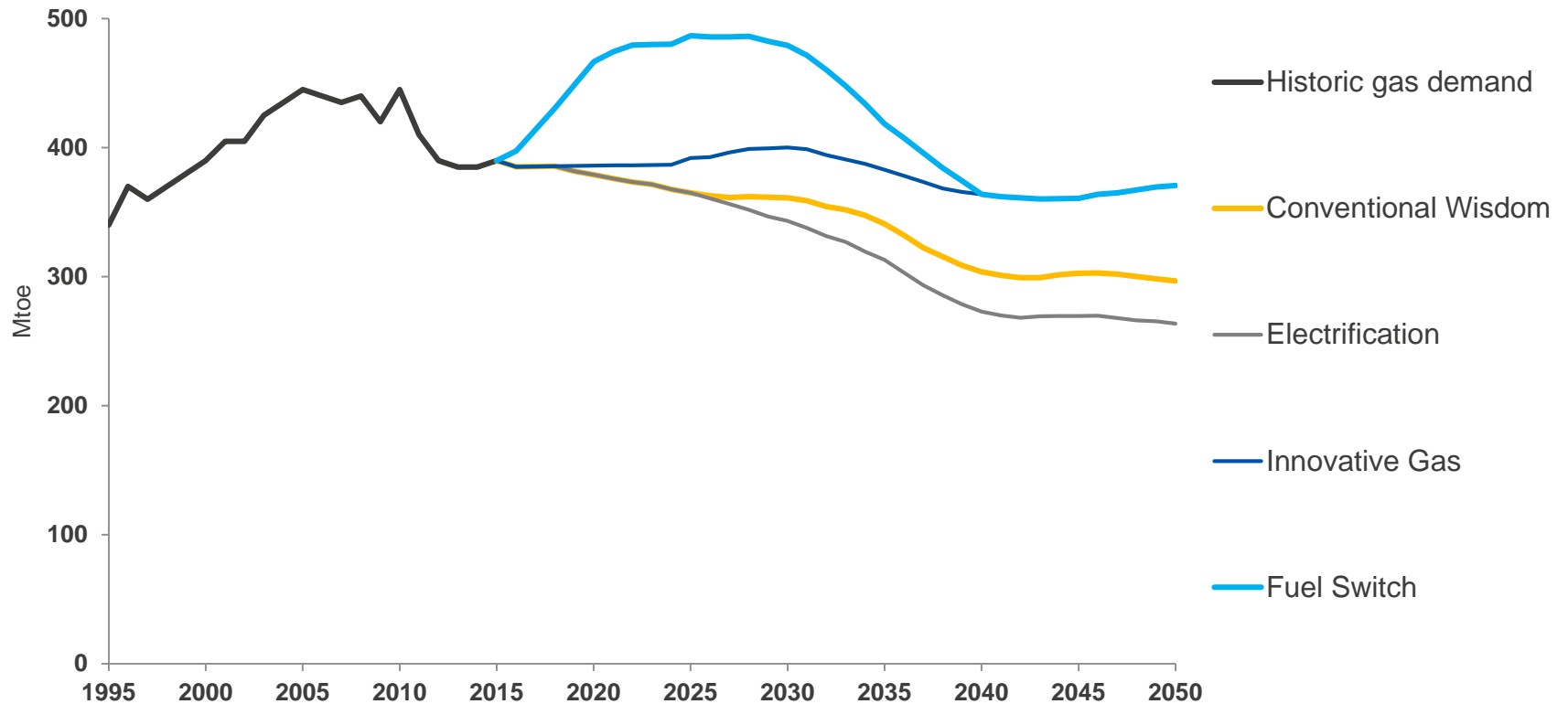
Assessment

- The approach to new buildings from 2021 remains and continues to make it difficult for gas in new homes, and the continued narrow momentum toward electrification of mobility is concerning. However, Council softened the aggressive EV installation requirement, and now ‘in cases where...difficulties arise, a possibility should be given to MS not to apply the requirements on electro-mobility’

Sustainable Financing Interim Report

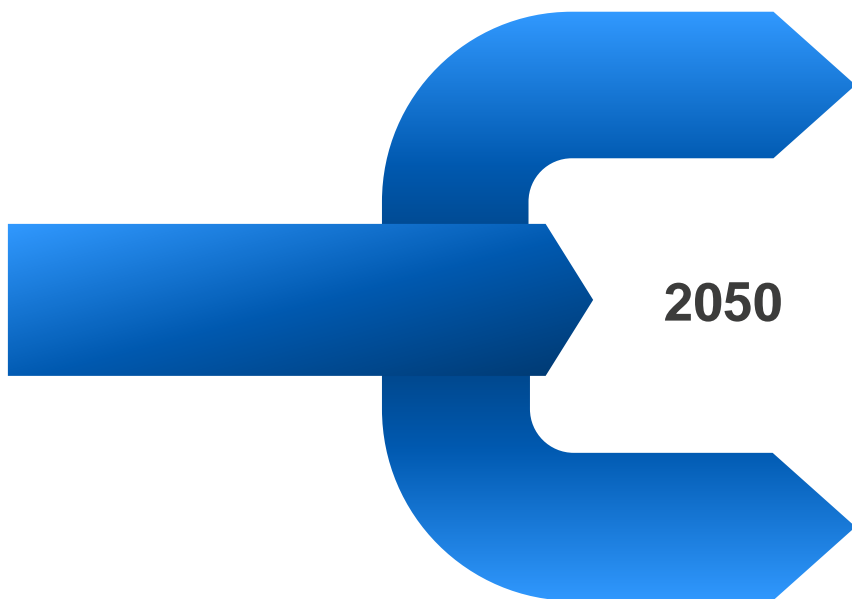
- “An EU classification of assets and products that captures all acceptable definitions of ‘sustainable’ – that is, that delivers a positive sustainable impact (environmental, social or economic) and is not detrimental to any these three pillars of sustainability.
- The introduction of an official European green bonds standard for green asset classes and labels for SRI and sustainable funds.
- The establishment of a single set of principles of fiduciary duty and related concepts of loyalty and prudence.
- Further strengthening of disclosures by firms and financial institutions of material information on sustainability issues that can also be reflected in stock exchange rules and benchmarks.
- ‘Sustainability tests’ of all future EU financial regulations and policies.
- Considerations around ‘Sustainable Infrastructure Europe’: a dedicated ‘match-making’ facility between private investors and public authorities seeking to build and finance infrastructure.
- Positioning the European supervisory agencies on sustainability issues.
- Publishing by Eurostat of revised guidance on how accounting standards for energy efficiency investments are interpreted to boost investments.”

Relevance of Gas?



Two Pathways to the (long-term) Future ?

Electrification vs. Innovative Gas



ELECTRIFICATION

- Electrification of all sectors including heating and transport
- Increasing share of nuclear
- Steep increase in RES-electricity
- Gas-fired generation only with high CCS
- Decreasing gas demand

INNOVATIVE GAS

- Smart mix of electricity and gas in all sectors
- Increase in RES-electricity
- Increase in RES-gas
- Gas-fired generation only with CCS
- Stable gas demand

→ Reaching the 2050 targets with „business as usual“ is not possible

Main outcome of a modelling exercise with E3M:

- A substantial fuel switch from coal and oil to gas would **exceed the EU's greenhouse gas reduction target for 2030**.
- This would allow the EU to **postpone costly investment** until the economy has reached a more stable, positive growth rate.
- Renewable gas, mainly from power-to-gas, is an opportunity to **increase the share of renewable energy overall**.
- Renewable gas can **reduce carbon dioxide emissions in sectors that are otherwise difficult to decarbonise** (industry, residential and transport) and can largely use the existing gas grid.
- A less conservative learning curve for power-to-gas could **reduce the costs of decarbonisation overall**.
- Whilst largely renewable, gas demand levels would still be important in 2050, **justifying continued investment in gas infrastructure**.

Thank you for your attention!

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