

## Role of natural gas in climate-neutral Europe

### Position paper of Bulgaria, Cyprus, Czechia, Greece, Hungary, Lithuania, Poland, Romania, Slovakia

The European Green Deal set out by the European Commission underlines the need to mobilize significant investments, allowing the EU to become the first climate-neutral continent by 2050. In doing so, EU policies should ensure synergies and system flexibility, while not hampering competitiveness, stability of energy supplies and affordability of energy to industry and households. While transitioning away from solid fossil fuels, we need to ensure the security of energy supplies as well as to address the social and economic aspects of this process with particular emphasis on overcoming the consequences of the current situation caused by COVID 19.

As the Member States and their regions vary significantly, the EU energy and climate policy should recognise the existence of national and regional differences and should allow tailored solutions to be implemented leading to the achievement of climate-neutral European Union by 2050. A transition based solely on renewable energy sources does not consider the need for a diversified energy mix in the EU. Moreover, it cannot be implemented overnight and will be costlier than a combined electricity – gas solutions. Furthermore, for the long term decarbonisation we lack zero-emission technologies that could be developed at the necessary scale with socially, and economically acceptable costs to produce the sufficient volumes of heat for our homes and industry. It is worth reminding that also net-zero emission scenarios for 2050 laid out in the "Clean Planet for All" communication published by the Commission in 2018 acknowledge that gaseous fuels will still provide an important share of energy consumed in the EU.

When replacing solid fossil fuels, natural gas and other gaseous fuels such as bio-methane and decarbonized gases can reduce emissions significantly with well-known and proven technologies and costs not hampering the EU competitiveness. **Natural gas can curtail greenhouse gas emissions (60% less CO<sub>2</sub> than coal) but also of dusts and other pollutants such as NO<sub>x</sub> and SO<sub>x</sub> (up to 99% less than coal). Bio-methane has a neutral greenhouse gas emission impact**, it provides the fastest and the most affordable intermediate path to a less carbon-intensive economy, an improvement of air quality (reducing premature deaths due to air pollution) and allows for gradual and effective contribution to EU's climate neutrality by 2050. Emission reductions due to increased use of gaseous fuels a result of coal/oil to gas switch (strengthened by combined gas/wind generation) also have a positive cross-border impact on improving air quality in adjacent countries.

The accelerated development of renewable energy requires massive investments not only into the power grids but also in the gas infrastructure including storage (natural gas, renewable and decarbonized gases) to make sure these additional sources of electricity generation will reach the customers in a cost-optimal way. **In this context, the natural gas turns out to be a substantial back-up and balancing source for development of renewable energy and electricity system.** It enables additional wind and solar generation, replaces existing inefficient generation and can replace coal and oil in the fuels structure of respective Member States.

With gradually increasing shares of intermittent renewable energy sources (wind and solar power) in the energy mix, high flexibility provided by the gas infrastructure will be essential for the efficient operation of the energy systems of certain European countries and regions. Thanks to the power-to-gas and other innovative technologies, including enhanced interconnectivity between gas and electricity systems, Europe's gas infrastructure, with its large storage capacity, will support further deployment of renewable energy. However, this promising potential for integrating and coupling electricity and gas sector could only be fully realized if there is a clear and stable regulatory framework that will support the modernization and repurpose of the existing infrastructure.

The majority of gas infrastructure projects is set to become progressively more integrated as a key infrastructure in a climate-neutral EU by being able to carry not only natural gas but also bio-methane,

hydrogen, synthetic gas, or carbon dioxide (CO<sub>2</sub>). In the years to come, renewable and decarbonised gases will gradually replace natural gas creating new opportunities for the industrial and energy sectors and reducing risks of a lock-in effect. **Gas infrastructure should be therefore considered as one of enablers of sustainable and swift transition towards cleaner heat and electricity generation, transport, industrial processes and residential heating and cooling.** Thus, regulatory changes aimed at strengthening sector coupling and integration should help utilise synergies and enable optimal use of the available potentials of all technologies limiting the threat of stranded assets from gas infrastructure in the future.

We are also convinced that gaseous fuels will also be used as a feedstock in the industrial sector, given that there is no other applicable alternative in the foreseeable future. The potential absence of a regulatory framework proves to be a very important and essential barrier for the inflow of investment funds whereas investors need a stable regulatory framework to test new technologies in the investment horizon of 10+ years and should be properly addressed.

Understanding the added value of all energy sources contributing to just and fair energy transition is of utter importance. **Therefore, the principle of technological neutrality and flexible policies allowing for country-specific solutions must be acknowledged.** Significant reduction of GHG emissions due to switching from carbon-intensive to gaseous fuels and closer integration of power and gas sectors will contribute to cost-effective emission reductions and will have regional and cross-border benefits for all EU Members.

Yet, in order for the gas infrastructure to be able to adequately and safely serve the needs of low-carbon and RES intensive energy mix, it needs to be properly maintained (including modification for enabling low-carbon gases into the pipeline system) and further developed. Respective investments cannot be subject to discriminatory treatment neither from the EU funding perspective, nor from the taxonomy perspective. Companies operating gas infrastructure should have the same access to external capital as the ones of electricity.

**The discontinuation of support for further development of gas infrastructure contributing and enhancing the energy transition will make it very difficult for many Member States to mobilise enough investment to cover massive needs for key energy infrastructure projects.** As a consequence of potential discontinuation of support for further development of gas infrastructure, the fight against climate change will be even longer and much more expensive. In addition, the extensive investments already made in the current gas infrastructure may be jeopardised. In order to trigger investments which may not be delivered by the market and to keep energy prices and investment costs for citizens at check, **it is of crucial importance to maintain EU support and financial assistance for the development of gas infrastructure through enabling framework, structural funds and investment loans.** In this context we also strongly express our support for the EU strategic objective of diversification of energy sources and encourage the exploitation of the EU's indigenous natural gas and other gaseous fuels. In addition, locally produced gaseous fuels reduce dependency on imports and deliver positive socioeconomic benefits to the EU.

COVID 19 pandemic will have a significant impact on the economy and investment spending of both the European Union and the rest of the world. Therefore, decreasing emissions from economy should be made with maximum cost-effectivity and pragmatism, maximising all the synergy effects based on evidence and available solutions.