

## GIE Position Paper on Clean Industrial Deal Communication

Gas Infrastructure Europe (GIE) welcomes the Clean Industrial Deal (CID) Communication as well as the Affordable Energy Action Plan as key tools to strengthen competitiveness and provide clean, stable and competitive energy supply for EU industries, businesses and households. Strengthening our competitiveness and decarbonizing our industry must go hand in hand. Renewable and low-carbon molecules are essential to achieve both objectives. By providing these services, gas infrastructure is crucial to keep our industries in Europe, and to enable a decarbonised, competitive, resilient and cost-efficient energy system. GIE plays a key role in achieving the goals mentioned in the CID Communication.

Part of our existing gas pipelines will be cost-effectively repurposed for hydrogen and CO<sub>2</sub>, which minimizes investments into newly built infrastructure. Furthermore, we positively recognize that the Affordable Energy Action Plan highlights the necessity for creating new hydrogen networks alongside carbon.

To further emphasize its importance, we call for the inclusion of infrastructure for renewable and low-carbon gases in the Competitiveness Fund.

GIE also supports initiatives to simplify existing legislation. Technical overregulation and too many reporting obligations put a high burden on energy infrastructure companies. To avoid ever-increasing energy prices and instead enable affordable energy for end-users and industry, GIE welcomes that these hurdles are being addressed by the European Commission.

### Key Messages:

1. **Sector-Coupling:** To enhance the benefits of sector-coupling between molecules and electrons, we need to increase the efficiency of the whole energy system. Molecule infrastructure provides significant benefits to the electricity system: it reduces congestion, price divergence between hubs, price volatility within the hubs, and curtailment costs, provides clean, dispatchable baseload energy, and enables long-term energy storage. The CID Communication mentions structural inefficiencies in the electricity system as a cause for higher energy costs. Molecule infrastructure should be considered as a flexibility option to alleviate this problem and lower electricity bills. Providing such services comes with costs, which should be recognised by the whole energy system.
2. **Funding:** It is of utmost importance to close the financing and funding gap to ensure the development of hydrogen and CO<sub>2</sub> infrastructure in particular during the market ramp-up to address the high risks associated with those emerging technologies. Huge investment costs could be addressed through an increased Connecting Europe Facility for Energy (CEF-E) budget under the multiannual financial framework (MFF). In the current context of the energy transition, the CEF-E budget was highly oversubscribed as duly demonstrated by the 2024 CEF-E call. Furthermore, the evolving infrastructure landscape and corresponding financing needs require constant assessment of further financing tools.
3. **Permitting:** To put the focus on better and faster permitting procedures for initiatives fostering decarbonisation (including for renewable and low-carbon molecules). The commissioning of LNG terminals in the middle of the energy crisis in 2022 showed that permitting, approval and construction processes can be speeded up and facilitated.

4. **Timing:** The timeframe to develop hydrogen and CO<sub>2</sub> infrastructure is very tight since the infrastructure development requires several years for planning, permitting and construction. We call for urgent action to be able to build infrastructure for reaching the climate targets, as 2030 is approaching soon.
5. **Lead Markets:** As the CID Communication rightly highlights, we support the identification and development of lead markets for decarbonised products boosting clean supply and demand. Hydrogen, CCUS and biomethane can help emerging markets to take-off and stimulate demand for renewable and low-carbon solutions in these sectors. GIE supports the initiative to strengthen public procurement policies as a powerful instrument to enable clear incentives for manufacturers to ramp up production.

### **Gas Infrastructure:**

Gas infrastructure managed to cope with the halt of major Russian gas supplies in 2022 via reverse flows from West to East and from South to North Europe, high storage fillings and new capacities for LNG imports. The ability of gas infrastructure to supply molecules from diversified sources whenever needed ensures security of supply and resilience, even under severe supply shock circumstances.

Looking at the current natural gas infrastructure, both storage and terminals have been key flexibility providers necessary for Security of Supply, in particular during peak demand (such as winters) as well as to overcome the recent energy crisis. EU storages can hold 4 months of EU gas demand and serve as a buffer to secure price stability. Our LNG terminals imported a third of EU gas demand in 2023, and are prepared to make a greater contribution. Thus, they also provide resilience and security of supply in unforeseen circumstances. The gas infrastructure will need to be maintained over the long term, given the different locations of biomethane production and consumption sites.

#### **Biomethane:**

Biomethane is a local industry where Europe is a global leader, that is increasing Europe's energy sovereignty and that presents positive environmental and economic synergies with EU agriculture. We regret that biomethane is not being considered in the CID publication, as this industry will also play a key role in providing clean and stable energy supply to multiple sectors, including industry and transport.

It needs to be emphasized that biomethane can swiftly decarbonise the EU gas grid by being directly injected into the existing gas infrastructure. Reusing this pre-existing asset in the energy transition avoids the significant costs and time associated with producing new vehicles, heating appliances, energy storage, or networks.

To achieve this, the TEN-E regulation should continue to support the financing of network adaptations necessary to accommodate the growing volumes of biomethane. Moreover, supportive economic measures for biomethane grid integration should be encouraged and implemented.

### **Hydrogen Infrastructure:**

GIE appreciates that the CID Communication clearly mentions the uptake of renewable and low-carbon hydrogen. Furthermore, we welcome that the CID prioritises renewable and low-carbon hydrogen as key solutions for decarbonising hard-to-abate sectors like industry and transport. The European Hydrogen Backbone, hydrogen storages and import terminals are essential for this development. They enable low-carbon and renewable hydrogen supply across the EU and will boost energy security and more efficient and affordable decarbonisation to keep industries in Europe.

Timing is crucial, as infrastructure planning and building requires several years. Taking FIDs into hydrogen infrastructure within the next years is key to ensuring that hydrogen infrastructure is in place when the hydrogen market is more mature. Appropriate financing mechanisms and effective de-risking instruments are crucial to attract such investments. The German amortisation account for its core network or the UK Contract for Difference (CfD) scheme for underground hydrogen storage can be seen as good examples of effective support measures.

To facilitate the hydrogen market development, the additionality requirement and the criteria on temporal and geographic correlation for renewable hydrogen production place severe restrictions in some regions within Europe that may well be hampering the ramp-up of both supply and demand for renewable hydrogen without creating additional benefit for the production of renewable electricity. While investment certainty is important to ensure the hydrogen market ramp-up and regular revisions of existing legislation should be avoided, some adjustments to this Delegated Act might be beneficial to kick-start more hydrogen projects and ensure the timely development of hydrogen infrastructure. In addition, in light of these developments, the review clause, currently foreseen for 2028, should be done earlier.

Furthermore, clear rules for investments in low-carbon hydrogen via the delegated act on low-carbon fuels, which is still under development, are needed. It is important to highlight that both renewable and low-carbon hydrogen are needed to ramp up the market. Both technologies should be equally considered in EU legislation, while some regions might prefer one technology over the other due to their regional characteristics.

We welcome that the CID recognises the relevance of both Delegated Acts and call on the European Commission to design both texts in a way that supports the ramp-up of hydrogen in Europe.

Moreover, we call for a level-playing field for all renewable electricity demand without any discrimination of hydrogen that is fully aligned with European targets of renewable electricity generation and renewable energy consumption. GIE supports that the Affordable Energy Action Plan clearly mentions hydrogen as part of the broader effort to electrify and decarbonise sectors like heating, transport and industry.

Hydrogen and its infrastructure will play a key role in the electricity system by providing flexibility and a dispatchable source for power generation. However, such flexibility comes with costs, which should be recognised by the whole energy system. The CID Communication mentions the relevance of simplified rules to allow quick approval of State aid measures for decarbonisation and clean tech projects, and the role and (monetary) value of hydrogen infrastructure as a key provider for flexibility in the electricity system need to be recognised here as well.

The development of lead markets for hydrogen can enable the hydrogen market to take off and expand within the European Union. Financing and support mechanisms should be developed to foster and stimulate the demand for hydrogen in these sectors. Scaling-up electrolyser production in Europe should be in our key interest, aligned with our goal to increase domestic production of net-zero technologies. It will bring costs down for hydrogen production in the mid-to-long term.

### **CO<sub>2</sub> Infrastructure:**

According to the European Commission's Net Zero Industry Act, the deployment of carbon capture technology will be essential if the European Union is to achieve its goal of net-zero emissions. Indeed,

the Commission's climate policy modelling suggests that 280 million tons of CO<sub>2</sub> must be captured annually by 2040. This requires extraordinary effort and huge investments given that at present, a European wide CO<sub>2</sub>-transport and storage network is not present. Having these targets in mind, we regret to see that CCUS technologies are not sufficiently mentioned as key decarbonization solutions for EU industry.

For some hard-to-abate sectors such as the cement, lime, and waste industries, CCUS technology is crucial. To keep these industries in Europe, CO<sub>2</sub> infrastructure will be indispensable for Europe to meet its climate objectives while maintaining industrial competitiveness. For this, a fast roll-out of a CO<sub>2</sub> network, terminals and storages across Europe will be required.

For a CO<sub>2</sub> infrastructure system to be developed, financial support mechanisms are needed. The funding gap needs to be closed, so that customers will sign FIDs. Besides financing options already mentioned before (CCfDs, CEF-E), a dedicated IPCEI CO<sub>2</sub> could be proposed.

A regulatory framework for CO<sub>2</sub> infrastructure should ensure both non-discriminatory access, based on open and fair rules, and revenue recovery for CO<sub>2</sub> infrastructure operators. Also, technical, quality and certification requirements are needed, and funding and de-risking are crucial to enable investments in CO<sub>2</sub> infrastructure. We are happy to notice that these elements are reflected upon in the Industrial Carbon Management Strategy and we are looking forward to collaborating with the European Commission on getting us there.

Special attention should be given to the need for the CO<sub>2</sub> regulatory package regarding the short timeframe until 2030:

- Planning and building the infrastructure, storage sites and terminals takes several years while climate targets need to be achieved;
- Ordinary legislative procedure takes two years, national implementation as well (i.e. implying it will become available at the earliest by 2030), so it is of utmost importance for our European industries not to stall defining a clear policy and regulatory framework for CO<sub>2</sub> providing investment certainty.

### **About GIE:**

Our 71 members operate a well-connected, highly flexible critical energy infrastructure. We provide consumers and companies with access to affordable energy and our assets can advance Europe's energy transition to an integrated energy system and ensure industrial competitiveness. Our infrastructures transport, store and import renewable and low-carbon molecules, which are key for a successful energy transition, complementing electrification.