



EUROPEAN COMMISSION

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Dear Ceann Comhairle, dear Cathaoirleach,

The Commission would like to thank the Houses of the Oireachtas for its Opinion on the Hydrogen and Decarbonised Gas Market Package, encompassing the proposal for a Directive of the European Parliament and of the Council on common rules for the internal markets in renewable and natural gases and in hydrogen {COM(2021) 803 final} and the Proposal for a Regulation of the European Parliament and of the Council on the internal markets for renewable and natural gases and for hydrogen (recast) {COM(2021) 804 final}, together constituting a reform of the European Union gas market rules, and the proposal for a Regulation of the European Parliament and of the Council on methane emissions reduction in the energy sector and amending Regulation (EU) 2019/942 {COM(2021) 805 final}, regarding the reduction of methane emissions.

The main objective of the proposed reform of the European Union gas market rules is to ‘enable’ the market to decarbonise gas consumption. It puts forward the policy measures required for supporting the creation of optimally used and dedicated infrastructure, as well as efficient markets. By seeking to remove barriers to decarbonisation and create the conditions for a more cost-effective transition, it thus ‘enables’ the market uptake of renewable gases in the European Union. These two proposals should be seen in conjunction with a series of other proposals made on 14 July 2021 in the context of the ‘Fit for 55’ package¹. The latter proposals ‘promote’ the demand and production of renewables. In particular, the proposal amending the Renewables Directive (EU) 2018/2001² proposes sectoral targets for renewable hydrogen in hard to decarbonise sectors, such as transport and industry.

¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3541

² COM(2021) 557 final

The Commission welcomes the support of the Houses of the Oireachtas for these proposals. It has also duly noted the concerns expressed in the Opinion, notably concerning the need for a greater emphasis on green hydrogen, issues with carbon capture and storage, the definition of low-carbon hydrogen and new contracts around fossil fuels, and would like to make the following comments.

In response to the concerns of the Houses of the Oireachtas with regard to the inclusion of a low-carbon hydrogen category, the Commission would like to clarify that the Hydrogen and Decarbonised Gas Market Package indeed includes a proposal for a system of certification of low-carbon fuels, including hydrogen³. However, these measures do not imply the promotion of the use or production of low-carbon hydrogen or fuels. They only complement the definition for renewable hydrogen as contained in the proposals for a revised Renewable Energy Directive. It is the Renewable Energy Directive that seeks the promotion of renewable, including renewable hydrogen and fuels, energy sources. Low-carbon hydrogen and fuels do however not fall within its scope and, thus, are not promoted.

Thus, as already set out in its hydrogen strategy⁴, the priority for the EU remains to develop renewable hydrogen whilst recognising that, in the short and medium term, forms of low-carbon hydrogen and carbon capture and storage may still be needed. Moreover, the REPowerEU Plan provides for comprehensive measures to promote energy savings, diversification of energy supplies, accelerated rollout of renewable energy and sets a target of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of renewable hydrogen imports by 2030. To support the achievement of the goal to produce 10 million tonnes of domestic renewable hydrogen and to boost the hydrogen market, President von der Leyen announced an European Hydrogen Bank in State of the Union address of 14 September 2022.

With regard to the current lack of definition of low-carbon hydrogen expected for 2024, as noted by the Houses of the Oireachtas, it is correct that elements of the methodology for assessing greenhouse gas emissions savings from low carbon fuels will need to be set out in a separate delegated act. However, any such methodology must comply with the general principles already set out in the current proposals.

The Opinion also highlights concerns regarding the long-term contracts for fossil gas, suggesting that such contracts have the potential to impede meeting the target of net zero emissions by 2050. In this respect, the Commission agrees that the continued unconstrained existence of long-term contracts up to and beyond 2050 may lead to carbon lock-in. To avoid this, the Commission considered it necessary to introduce a legal prohibition and thus proposed a ban on long-term contracts for unabated fossil gas beyond 2049. Based on the impact assessment, the date 2049 has proven to be the most cost-effective, considering economic and environmental impacts as well as the effectiveness of this measure, as compared to other options, such as an earlier date for the ban.

³ Article 8 of the proposal for a recast Directive as contained in COM(2021) 803 final

⁴ https://energy.ec.europa.eu/system/files/2020-07/hydrogen_strategy_0.pdf

With regard to the concerns of the Houses of the Oireachtas that the approach for the phasing out of venting and flaring could have a lock-in potential of fossil fuels in case the infrastructure is kept in place or further expanded, the Commission notes that, at present, there is no EU level legal framework for the reduction of methane emissions in the energy sector. The Commission's proposal on methane emissions reduction in the energy sector⁵ sets concrete measures to reduce methane emissions in the energy sector in Europe and our global supply chain. The proposal is fully in line with the European Green Deal towards decarbonisation and towards achieving carbon neutrality by 2050. While the choice of energy mix is in the remit of Member States, full decarbonisation will eventually require a full phase-out of all unabated fossil energy, including fossil gas, while being gradually replaced by renewable gases.

Considering the powerful global warming potential of methane (about 80 times higher global warming potential than CO₂ over a 20-year period), the proposal aims at achieving abatement of methane emissions from gas in the near term. In addition, reducing methane emissions can bring about significant near-term social and environmental benefits to society, such as by preventing ozone-related premature deaths, asthma-related accidents, and emergency department visits and annual hospitalisations, as well as avoiding losses of wheat, soybean, maize and rice due to ozone exposure.

Moreover, methane emissions do not stop when the production of fossil energy stops. Therefore, the proposal includes a requirement for Member States to establish an inventory of inactive and closed or abandoned assets for the oil and gas and coal sectors. Furthermore, the proposal sets measurement requirements and the obligation to develop mitigation plans.

The Opinion also expresses concern about the level of ambition with regard to the measures on imports, taking notably into consideration the importation of fracked gas and the possibility to delay ending reliance on fossil fuels. The Commission would like to clarify that the proposal on methane emissions reduction in the energy sector includes measures to incentivise methane emission reductions outside the EU. It requires importers of fossil energy to the EU to submit information about their suppliers as to how they perform measurement, reporting and verification of their emissions and how they mitigate those emissions, which no other country in the world currently does. That information will feed into two transparency tools that will show the performance and reduction efforts of countries and energy companies across the globe in curbing their methane emissions: first, a transparency database, where the data reported by importers and by EU operators will be made available to the public and, second, a global monitoring tool, to show methane emitting points inside and outside the EU, including by harnessing the EU's world leadership in environmental monitoring via satellites.

The Commission views transparency measures and continued diplomacy on methane as actions conducive to reducing methane emissions across the global supply chain. They have

⁵ COM(2021) 805 final

so far yielded important and far-reaching results, not least with the Global Methane Pledge and the International Methane Observatory.

The points made above are based on the initial proposal presented by the Commission, which is currently in the legislative process. The Opinion of the Houses of the Oireachtas has been made available to the Commission's representatives in the ongoing negotiations of the co-legislators, the European Parliament and the Council, and will inform these discussions.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Houses of the Oireachtas and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

*Kadri Simson
Member of the Commission*

