



**TRADING
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Regulatory outlook
4th internal gas market package



4th internal gas market package – Overview

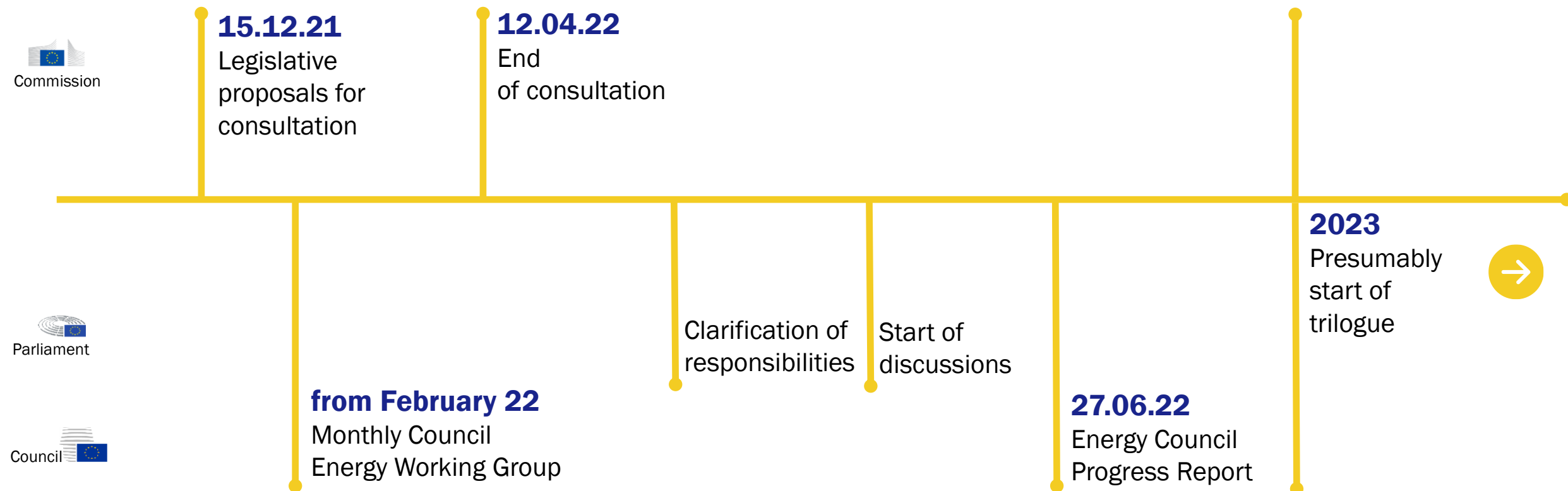
- **Objectives**

- Create a regulatory framework for renewable and low-carbon gases, especially hydrogen ("Green Deal")
- Strengthen security of supply

- **Main elements**

- "Directive on the internal market in natural gas"
 - Comprises 147 reasons and approx. 80 articles
 - Directives must be transposed into national law by EU member states
- Regulation of "Conditions for access to natural gas networks"
 - Comprises 75 reasons in the recitals and approx. 70 articles
 - Regulations are binding legal acts that have direct effect
- "SoS Regulation"

4th internal gas market package – Time line



Excerpts from the Directive

- **Reasons in recital 7**

- "[...] The rules laid down in this Directive should thus be conducive for hydrogen markets, commodity-based hydrogen trading and liquid trading hubs to emerge and any undue barriers in this regard should be eliminated by Member States. Whilst recognising the inherent differences, existing rules that enabled efficient commercial operations developed for the electricity and gas markets and trading should be rendered applicable to Union hydrogen markets to the extent appropriate and within a suitable time frame[...]"

- **Reasons in recital 67 (vertical unbundling)**

- "[...] The operation of hydrogen networks should be separated from activities of energy production and supply[...]"

- **Reasons in recital 68**

- "[...] Whereas the joint operation of hydrogen networks and gas or electricity grids can create synergies and should thus be allowed, activities of hydrogen network operation should be organised in a separate legal entity in order to ensure transparency regarding financing and the use of access tariffs.[...]"

Excerpts from the Directive

- **Reasons in recital 70 (horizontal unbundling)**

- "[...] In order to ensure transparency with regard to the costs and financing of regulated activities, activities of hydrogen network operation should be separated from other network operation activities for other energy carriers at least in relation to the legal form and accounts of network operators.[...]"

- **Reasons in recital 71 (third party access)**

- "[...] Hydrogen networks should be subject to third-party access in order to ensure competition and a level playing field in the market for hydrogen supply. Regulated third-party access on the basis of regulated access tariffs should be the default rule in the long-term. [...]"

- **Reasons in recital 72 (regulation of hydrogen storage facilities)**

- "[...] The availability of large-scale underground hydrogen storage facilities is limited and distributed unevenly across Member States. In view of the potentially beneficial role for the functioning of hydrogen transport and markets, the access to such large-scale underground storages should be subject to regulated third party access in order to ensure a level playing field for market participants.[...]"

Excerpts from the Directive

- **Reasons in recital 74**

- "[...] Existing vertically integrated hydrogen networks should be integrated into the regulatory framework following a transition period..[...]"

- **Reasons in recital 113 (information on TYNDP)**

- "[...] Providing information on infrastructure that can be decommissioned within the network development plan may mean either leaving the infrastructure unused, dismantling it or using it for other purposes, such as hydrogen transport. The objective of this increased transparency on infrastructure takes into account that repurposed infrastructure is comparatively cheaper than newly built infrastructure and hence should enable a cost effective transition. [...]"

- **Reasons in recital 119 (cross-border transport)**

- "[...] It is necessary to progress towards interconnected hydrogen markets in the Union and thereby facilitate investments in cross-border hydrogen infrastructure. Under the regulated third-party access regime, in the absence of cross-border transportation tariffs after 31 December 2030 a system of financial compensation should provide financial incentives for market participants to develop cross-border interconnectors.. [...]"

Excerpts from the Directive

- **Definitions (Article 2)**

- "‘natural gas’ means all gases that primarily consist of methane, including biogas and gas from biomass, in particular biomethane, or other types of gas, that can technically and safely be injected into, and transported through, the natural gas system;"
- "‘gases’ mean natural gas and hydrogen;"
- "‘distribution system operator’ means a natural or legal person who carries out the function of distribution and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the distribution system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of natural gas;"
- "‘transmission system operator’ means a natural or legal person who carries out the function of transmission and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of natural gas;"
- "‘hydrogen network operator’ means a natural or legal person who carries out the function of hydrogen transport and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the hydrogen network in a given area and, where applicable, its interconnections with other hydrogen networks, and for ensuring the long-term ability of the system to meet reasonable demands for the transport of hydrogen;"

Excerpts from the Directive

- **Right to switch (Article 11)**

- "[...] By 2026 at the latest, the technical process of switching supplier or market participant shall take no longer than 24 hours and shall be possible on any working day [...]"

- **Smart metering systems in the natural gas system (Article 16)**

- "[...] Member States shall ensure the deployment in their territories of smart metering systems. Such deployment may be subject to a cost-benefit assessment which shall be undertaken in accordance with the principles laid down in Annex II. [...]"
- "[...] Where the deployment of smart metering systems has been negatively assessed as a result of the cost-benefit assessment referred to in paragraph 2, Member States shall ensure that the assessment is revised at least every four years [...]"

- **Smart metering systems in the hydrogen system (Article 17)**

- "[...] Member States shall ensure the deployment of smart metering systems [...]"

Excerpts from the Directive

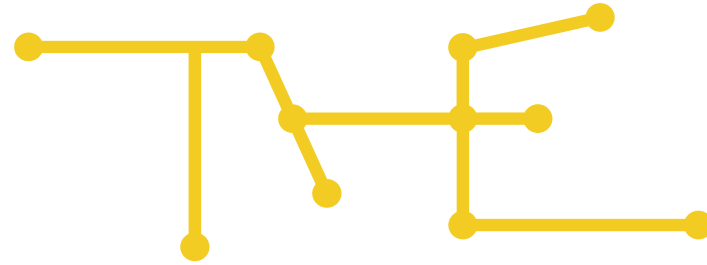
- **Third-party access to hydrogen networks (Article 31)**
 - "[...] Member States shall ensure the implementation of a system of regulated third party access to hydrogen networks [...]"
 - Until 31 December 2030, a Member State may decide not to apply paragraph 1..
- **Existing hydrogen networks (Article 47)**
 - For existing hydrogen networks, deviating regulations can be adopted for the regulation until the end of 2030.
- **Unbundling of hydrogen network operators (Article 62)**
 - "[...] Member States shall ensure that from [entry of transposition period+1year] hydrogen network operators are unbundled in accordance with the rules for natural gas transmission system operators set out in Article 56(1) to (3).. [...]"
 - "[...] Until 31 December 2030, Member State may designate an integrated hydrogen network operator unbundled in accordance with the rules on independent transmission operators for natural gas set out in Section 3 of Chapter IX. Such designation shall expire by 31 December 2030 at the latest. [...]"

Excerpts from the Regulation

- **Third-party access services concerning hydrogen network operators (Article 6)**
 - "[...] Hydrogen network operators shall offer their services on a non-discriminatory basis to all network users. Where the same service is offered to different customers, it shall be offered under equivalent contractual terms and conditions. Hydrogen network operators shall publish contractual terms and tariffs charged for network access and, if applicable, balancing charges, on their website [...] As of 1 January 2031, hydrogen networks shall be organised as entry-exit systems [...]"
- **Tariff discounts for renewable and low carbon gases (Article 16)**
 - A discount for renewable and low-carbon gases will be applied when setting the tariffs
 - In the year following the entry into force, the discount shall be 100%.
 - As soon as the revenues of a transmission system operator from these specific tariffs decrease by 10% as a result of the application of the discount, the transmission system operator concerned and all neighbouring transmission system operators shall be obliged to negotiate a compensation mechanism between the transmission system operators

Excerpts from the Regulation

- **European entity for distribution system operators (Article 36)**
 - "[...] Distribution system operators operating a natural gas system shall cooperate at Union level through the European entity for distribution system operators ('EU DSO entity') set up in accordance with Articles 52 to 57 of Regulation (EU) 2019/943 of the European Parliament and of the Council 19 , in order to promote the completion and functioning of the internal market for natural gas and to promote optimal management and a coordinated operation of distribution and transmission systems.[...]"
- **European Network of Network Operators for Hydrogen (Article 40)**
 - "[...] Hydrogen network operators shall cooperate at Union level through the European Network of Network Operators for Hydrogen (ENNOH), in order to promote the development and functioning of the internal market in hydrogen and cross-border trade and to ensure the optimal management, coordinated operation and sound technical evolution of the European hydrogen network.[...]"



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