- Consultation response -

Europex feedback at intermediate stage of Commission study on sector coupling

Brussels, 20 March 2019 | Europex, the Association of European Energy Exchanges, welcomes the opportunity to provide feedback at this intermediate stage of the Commission study on *"Potentials of sector coupling for decarbonisation - Assessing regulatory barriers in linking the gas and electricity sectors in the EU".*

A cross-sectoral approach, including electricity and gas both conventional and renewable, is necessary in order to develop more system flexibility, to free up unused cross-sectoral potential and to increase the coordination and competitiveness between the gas and electricity sectors. Developing and enhancing this potential is a pre-condition for successfully implementing the energy transition and for achieving the EU's and global climate and energy targets. To this aim, sector coupling between gas and electricity but also sector integration beyond the two are important means to achieve the set goals in a market-driven and hence economically efficient and resource-optional way.

From an energy trading perspective, gas and electricity markets are already highly integrated today and trading houses constantly optimise their trading portfolios in line with the price signals they receive from the respective markets. Against this background, efficient internal wholesale electricity and gas markets must be enabled to deliver efficient price signals which will ultimately drive a closer integration of the gas and electricity sectors in Europe, especially with a view to integrate more renewable/decarbonised energy, i.e. renewable/decarbonised gas and renewable/decarbonised electricity. The ability of the gas sector to integrate renewable and decarbonised gases in a market-driven environment is therefore a key factor for the overall success of the EU's future energy system. The same applies to the full market integration of renewable electricity.

Non- and low-carbon gases should be fully integrated into the wholesale all-gas market

As non- and low-carbon gases are increasingly integrated into the system, work to ensure full interoperability and comprehensive harmonisation across borders and to develop EU-wide standards (Topic 5) should be prioritised. In this context, it is important to avoid the development of different markets for different gases. As a key principle, renewable gases should be fully integrated into the existing all-gas market, which will ensure that the benefits of existing liquid wholesale markets are available to all gas sources. The development of heterogenous markets, in contrast, would risk fragmenting liquidity and might create a patchwork of less efficient divided markets. In addition, the efficient use of existing gas infrastructure (transportation, storage, etc.) for non- and low-carbon gases should be made possible by means of targeted research & development and by the definition and regular update of a suitable regulatory framework.

Since the energy market liberalisation in the late 1990s, efficient and transparent wholesale gas and electricity markets in Europe have brought significant welfare gains to European consumers. The internal energy market has increased the efficiency of how production and consumption assets as well as transmission capacities are being utilised. Overall, this has led to lower prices for consumers and greater security of supply, as gas and electricity are made available where and when they are needed. Regulatory initiatives to promote sector coupling and to ensure the cross-border tradability of renewable gases in particular should recognise these developments and the value of integrated, liquid wholesale energy markets.

To provide for the right incentives to promote the development of renewable and decarbonised gases and to enable cross-border trading of these gases, a Guarantees of Origin (GO) system for gas should be developed, drawing inspiration from the successful GO system for electricity. This would allow the origin of the gas to be transparently documented and traded but at the same time avoiding a fragmentation of the wholesale all-gas market. Market price signals will further incentivise the uptake of renewable and decarbonising gas technologies and contribute to the efficient integration of renewable and decarbonised gases in a sector coupled energy market. Significant efforts have already been made at sectoral level to develop EU-wide certification projects, and further standardisation efforts should be prioritised. As the available quantities of renewable gases on an EU scale are comparably low, standardisation should be of key importance to promote related investments.

Transparent documentation of evidence

It is valuable to be able to discuss and validate intermediate findings in this study. As a more general point, we would welcome further publication of the evidence base behind the regulatory barriers identified. This would include more detailed examples of the barriers, what they exactly consist of, in which Member States they are found, from which stakeholders the evidence was gathered, etc. This would allow stakeholders to provide more detailed feedback and to improve the quality of the overall findings.

About

Europex is a not-for-profit association of European energy exchanges with 26 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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