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## Gas Package 2020

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Dear Sir

Our ref. petbi

Thank you very much for taking the initiative to organize and facilitate the discussion about the future gas regulation in Denmark and in EU. Ørsted looks forward to taking active part in this important work.

From Ørsted's perspective, a fundamental driver of the Gas Package should be supporting the decarbonisation targets of the Union. The 2020 gas package should be developed to give the gas system the role of enabling a world that runs entirely on green energy in the most efficient manner. This implies that future gas demand needs to be carefully assessed (so as not to overestimate it and thereby paving the way for the emergence of stranded assets), and a framework for green gases created (both technically and commercially). A central idea in this context will be that the electricity and gas grids, their interlinkages, and their supporting components and infrastructure are a means towards our climate goals, and thus shall be optimised accordingly.

In relation to the 3 pillars of the 2020 Gas Package, we have the following initial comments:

On decarbonisation (sector coupling), our thoughts regarding the most relevant areas are as follows:

- We see a clear trend that gas will undergo a transition like the one witnessed for power, i.e. that we over the coming decades will substitute natural gas with renewable gas. This substitution is needed not least for climate reasons, but also to potentially provide flexibility to the overall energy system.
- The demand for renewable gases (or gas in general) in the future should be carefully assessed and new investments in gas infrastructure should ensure that demand assumptions are realistic and account for our decarbonisation targets. Similarly, it is imperative that owners are given the right incentives to decommission and adjust the infrastructure to the changing use patterns.
- The development and deployment of new technologies should lead to changes in the tariff regime for both power and onshore gas transport. For instance, it would be beneficial for the power transmission charges to reflect the positive impact that PtX infrastructure such as an electrolyser can have on the grid.

- A key driver for the green transition is the increasing consumer demand for green products. There is some urgency in developing a robust market for green gas along the lines we see for power Guarantees of Origin.
- When developing a new technology, such as PtG, it will probably need some financial support and some adjustments may be needed on the demand side, i.e. that equal amount of free CO2 allowances is given within the EU-ETS for equal products. It is important that such support is directed towards non-regulated stakeholders. This enables transparency and ensures that the new technology and competences are embedded in the sector that can take it from demonstration level to the industrial scale.

On optimisation of the market functioning, we have the following initial comments based on our current market footprint, i.e. Northwest European gas market:

- On the current market functioning, we find that both spot and forward markets work satisfactorily. We can buy/sell sport volumes at transparent and liquid markets and can hedge via forward markets. Furthermore, access to infrastructure is well regulated. When BalticPipe enters into operation, the Danish market will be connected to new markets, which we understand is not yet at a comparable liberalisation and competition-law level. Hence, the areas of tailor-made regulation – or initiatives – for such markets is of interest. Additionally, the area of LNG terminal regulation is important for Ørsted but input on this would await the study currently being conducted.
- Looking further ahead, then the introduction of new and wider gas qualities into the grid will warrant adjustments to the gas market design. This could among other include gas quality, blending, capacity products and balancing.

On the mirroring exercise, we would generally expect that mirroring the outcome of the Clean Energy Package about Governance and institutional measures, consumer rights and protection and digitalization to the gas sector should not create major obstacles as long as the different nature of for gas and power is taken into consideration.

We look forward to starting the discussion on the above-mentioned issues – and other issues of interest for a 4<sup>th</sup> Gas Package and look forward to the process.

Best regards



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