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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Directive on common rules for the internal markets in renewable and natural gases and in hydrogen and Regulation on the internal markets for renewable and natural gases and for hydrogen (recast) - Exchange of views

Reflecting the discussion on the Regulation on the internal markets for renewable and natural gases and for hydrogen and the Directive on common rules for the internal markets in renewable and natural gases and in hydrogen on the TTE (Energy) Council on 25 October 2022, the Czech Presidency would like to highlight several amendments made in the Revision 2 of the Gas Package.

- In Article 6 of the Regulation, implementation of 100% discount on cross-border tariffs in dedicated hydrogen networks has been postponed to 1 January [2036] in accordance with postponing transition phase for hydrogen market design elements.

- In Article 16 of the Regulation, it has been differentiated between tariff discounts for renewable and low-carbon gases in the natural system with tariffs being set at [100] % and [75] % respectively. The possibility for the national regulatory authorities to decide not to apply discounts or set them lower is included reflecting the concerns of those Member States that have or expect to have high share of renewable/low-carbon gases in the energy mix or fear the potential impact on cross-border flows.
- In Article 20 of the Regulation, the maximum blending level at interconnection points is changed to [2] % to reflect that blending is not a preferred option among Member States with regard to the development of hydrogen infrastructure. The goal of the Regulation is to maintain a harmonized approach on the EU level concerning a gas quality, including oxygen content and blending.
- New Article 8a of the Directive is introduced. The Article focuses on possibility to use low-carbon hydrogen and low-carbon fuels to meet decarbonisation objectives, where Member States may take into account low carbon-hydrogen and low-carbon fuels to complement the calculation of the relevant targets under the recast Renewable Directive 2018/2001. Provision in the Article reflects the letter of several Member States presented during the TTE (Energy) Council.
- In Articles 31, 47, 48 and 53 of the Directive, the changes regarding the time frame for development of hydrogen markets were incorporated. The transition phase for hydrogen market design elements is now postponed until the end of [2035] to reflect concerns that the hydrogen market will not be mature enough by 2030 for implementation of regulated third party access and entry-exit system to hydrogen networks and expiration of derogations for existing and geographically confined hydrogen networks. Setting a firm date also increases the predictability for stakeholders in comparison to review mechanism.

- In Article 62 of the Directive, application of the ITO unbundling model for hydrogen networks operators is now allowed for the existing natural gas transmission system operators certified as ITOs.
 - In relation to Article 62, an Article 85 of the Directive was amended to introduce an assessment by the European Commission to be submitted by 31 December 2031 to evaluate the implementation of rules on ITO model for hydrogen network operators. Based on the assessment, the Commission may present a legislative proposal regarding the application of the ITO model for hydrogen network operators. Inclusion of the review mechanism shall ensure that after several years of implementation, it can be assessed whether all unbundling models allow transparency and competition in line with goals of the Directive.
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