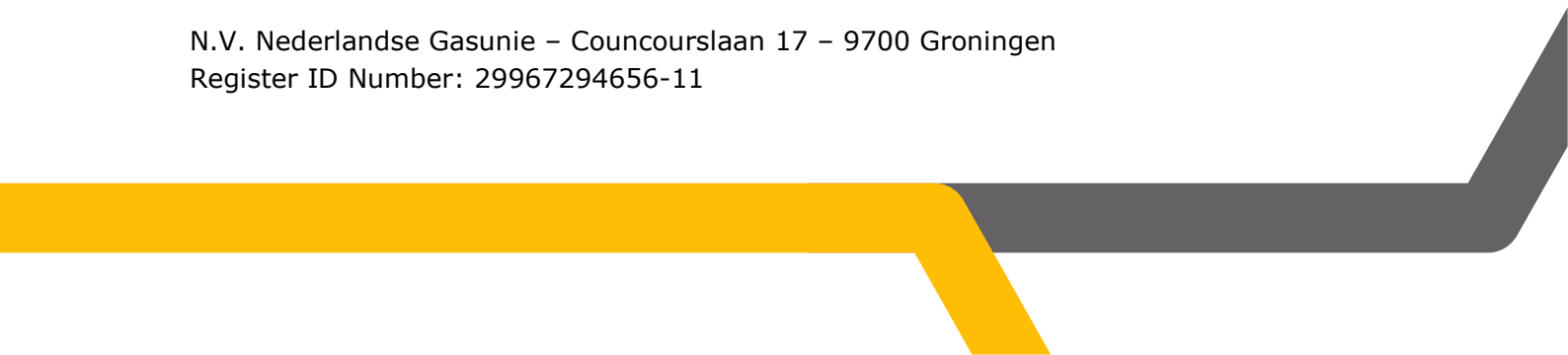


Gasunie response to the Green Paper

"A 2030 framework for climate and energy policies"

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About Gasunie

Gasunie is a European gas infrastructure company. We provide the transport of natural gas and green gas in the Netherlands and the Northern part of Germany.

All our activities are geared to facilitating the market. Both the industrial and the domestic gas markets. In the Netherlands, Germany and further afield. This varies from providing gas transport to constructing new infrastructure. From participating in new projects to develop new services. In all our activities we follow trends and requirements in the market closely. As our aim is to be able to offer our customers the best standard of service possible.

Gasunie has two subsidiaries that manage the gas transmission grid: Gasunie Deutschland in Germany and Gasunie Transport Services (GTS) in the Netherlands. We also provide the market with gas storage facilities (Gasunie Zuidwending), the pipeline to England (BBL) and the LNG terminal Gate at Maasvlakte. In addition, we facilitate and stimulate the green gas market through our daughter Vertogas. Producers and traders in green gas can turn here use our subsidiary Vertogas for certification of their green gas.

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4.1 General

- The 2020 policy has provided a framework for the reduction of greenhouse gas emissions and investments in renewable energy sources.
- Energy is a vital part of the global economy and because energy is traded on a global market the European energy and climate policy should be designed in such a way that it can handle changes in this market. The past years clearly demonstrate this interdependency; for example how much of the reduction of greenhouse gas emissions can be attributed to the European policy goals and how much to the general economic downturn which resulted in low ETS prices. Another dynamic which greatly impacts the European energy market is the shale gas revolution in the United States with low coal prices in Europe as a result.
- One of the problems of the current system is that it is over-dimensioned. Too many national and European policies, governments and other factors are playing a role in the climate and energy framework. This plethora of actors and policies hampers an effective European investment climate for low carbon energy sources and has resulted in an unbalance in the three pillars of European energy policy: competitiveness, security of supply and sustainability.
- Without a technology neutral approach, the costs of building a sustainable and low carbon economy are high. The rapidly increasing but uncoordinated share of (subsidized) intermittent electricity is leading to market distortion. Currently no investments are forthcoming in low carbon conventional production to the detriment of the security of electricity supply.
- Whereas regulatory certainty is a *conditio sine qua non* for future market based investments, the framework for 2030 should take into account the overall competitiveness of Europa especially against the background of a global agreement on climate change.
- Energy and electricity should not be used as synonyms. Electricity is currently only between 20% and 30% of the total energy demand, and is expected to rise in the coming decade but still remains less than half of the total consumption.
- A more systemic approach to energy and energy infrastructure is needed and not a singular focus on electricity. This will increase efficiency and reduce the need for investments. Electrification is not necessarily the most cost efficient way to reduce greenhouse gas emissions. The existing well interconnected gas infrastructure both on transmission and distribution level can provide low carbon solutions and through the development of for example biogas and synthetic methane fully renewable energy sources.
- The current energy and climate discussions focus on reducing CO₂ emissions. Other factors such as nitrogen oxides (NO_x) and particulates matters (PM) in the transport sector also affect the climate and air quality. Stricter rules on such emissions in among others the transport sector should be considered.

4.2 Targets

- A single target on CO₂ emissions (40% reduction in 2030) will be the most effective and technology neutral pathway to guarantee further greenhouse gas emission reduction. A single target on CO₂ emissions will also support the development of renewable energy and energy efficiency measurements. Furthermore a target of 40% CO₂ reduction in 2030 is in line with the 80-95% reduction target for 2050.

- In addition to an ambitious CO2 target the EU needs a well functioning emission trading system. Currently ETS does not fully play its role as a market based system for reduction of greenhouse gas emissions. This is not only a concern post 2020 but needs to be addressed now. For 2030 a rigorous overhaul of the directive is necessary to make ETS more flexible and for example responsive to overall economic circumstances.
- It is expected that a vast part of renewable energy technologies such as wind onshore and solar energy will be cost competitive around 2020. A specific renewable target does therefore not seem the most appropriate instrument to guarantee further investments in renewable energy generation. The fragmented support policies in Member States create uncertainty and market distortion.
- In the framework of the 2030 policy it should be considered that mature renewable energy sources take grid responsibilities from which they are currently exempted (such as balancing and scheduling). By removing such market distortive elements a level playing field emerges in which the most cost efficient pathway towards a low carbon economy becomes viable. Renewable and low carbon energy technologies which have not reached (economic) maturity such as biogas, Power-to-gas and wind offshore could get targeted support for example under the horizon 2020 program and its successor.
- Efforts on energy efficiency should continue. The new directive on energy efficiency should contribute to investments in this field, and this will be further enhanced by setting an appropriate CO2 target. Energy efficiency measures are an effective way to contribute to reduced CO2 emissions. In short: the less energy is used the fewer emissions produced.
- The 40% CO2 reduction target should be on an EU level, with burden sharing between Member States and applicable to both ETS and non-ETS sectors.
- Cost efficient CO2 reduction should be a cornerstone of the 2030 policy framework. The price impulse for CO2 abatement through ETS is currently far below the estimated levels when the ETS directive was agreed. However measures outside ETS such as certain support schemes for renewables in some Member States have a much higher price for abated CO2 emissions. At the same time investments which result from these subsidy schemes impact the ETS price. This discrepancy is not sustainable and leads to unfair competition. Greater harmonization of policies is needed to align the CO2 abatement costs through ETS and non ETS measures.

4.3 Instruments

- The realization of an economy with lower CO2 emissions requires an integrated system approach, so that the best results can be achieved in an affordable way. It doesn't make sense to consider electricity, gas and heat markets in isolation. These markets will increasingly be linked by common and interchangeable energy forms.
- An important factor for the success for a decarbonized energy system is a stable and predictable regulatory, legislative and investment framework. The EU has an essential role in shaping this framework. In general closer cooperation is needed on the European level to ensure that the reduction of greenhouse gas emissions is achieved in an economically and cost effective manner. Member States should at least cooperate with neighboring countries on national measures.

- The capacity of coal fired power plants has expanded the last few years. As a result of the shale gas boom in the United States cheap coal is flooding the European market, combined with low ETS prices coal has become the fuel of choice next to renewable energy for Europe's electricity mix, with a detrimental effect on greenhouse gas emissions. The benefits of subsidizing renewable energy sources for the reduction of CO₂ emissions should not be diminished by increased use of carbon rich energy sources. ETS should be the primary instrument tackle this issue, subsequently emission performance standard for power plants should be considered.
- Within the transport sector the challenge besides the reduction of carbon dioxide emissions is the reduction of emission of nitrogen oxides and particulates matters. New targets for 2030 should be set and take account of all these elements (CO₂, NO_x and PM). To set these targets interaction with countries outside the EU is preferable.

4.4. Competitiveness and security of supply

- To create a sustainable climate and energy policy it is essential to choose the economically most efficient measures, also taking into account the need to strengthen competitiveness and growth in Europe.
- The EU should support immature technologies with the highest chance of success. This requires a technology neutral approach. Support can come in different (not only financial) forms and on different levels: EU and Member State. These policies should be well aligned and mutually reinforce each other.
- Security of supply should be viewed from a systemic approach. For example electricity and gas infrastructure can reinforce each other in transporting energy. Timely implementation of infrastructure is key to ensure proper market functioning and enhance security of supply.
- With the increasing share of sustainable energy sources (like wind and solar energy) the need for flexibility and back-up will increase. Gas fired power plants and gas infrastructure (transmission pipelines, storages and LNG terminals) are necessary to provide the flexibility that sustainable energy sources cannot provide on their own. Gas fired power plants are more flexible than coal fired power plants and produce much lower carbon dioxide emission. To replace old power plants investments in gas fired power plants are necessary for maintaining security of supply. A healthy investment climate is necessary for regulated and non regulated assets. This will contribute to mitigate the risk of climate change, security of supply, competitiveness and job creation.

4.5 Capacity and distributional aspects

- A well functioning ETS system is necessary to give companies an incentive to reduce their emissions. Through the oversupply of allowances and the economic crisis the price of CO₂ is too low. It is cheaper to buy ETS allowances than to invest in emissions reducing measures.
- There are no new financing instruments necessary to support the 2030 framework.