

## **Consultation on an EU strategy for liquefied natural gas and gas storage** ***AEBIOM input***

***Question 5: The Energy Union commits the EU to meeting ambitious targets on greenhouse gas emissions, renewable energy and energy efficiency, and also to reducing its dependency on imported fossil fuels and hence exposure to price spikes. Moderating energy demand and fuel-switching to low carbon sources such as renewables, particularly in the heating and cooling sector, can be highly cost-effective solutions to such challenges, and ones that Member States will wish to consider carefully alongside decisions on LNG infrastructure. In this context, do you have any evidence on the most cost-efficient balance between these different options in different areas, including over the long term (i.e. up to 2050)?***

A cost-optimal approach is the right approach and should be taken into consideration . However **market conditions**, as they exist today are distorting the cost-optimal approach. In fact, persisting fossil fuel subsidies, lack of carbon pricing in non-ETS sectors and regulated prices do not allow an efficient cost-optimal methodology and may not lead to the best choice for the general interest. In this regard, the internal energy market should go beyond electricity and natural gas so as to ensure fair and full competition, including in the heat sector.

The cost-optimal level should be assessed with the **2050 horizon** in mind, taking into account lock-in effects of investments outside the three ‘no-regrets options’ set in EU 2050 energy roadmap, i.e. more RES, more energy efficiency, smarter energy infrastructure.

The cost-optimality is also being investigated by the EC in the framework of the forthcoming EU Heating and Cooling Strategy. This work is very much welcome. The Energy Union represents a unique opportunity to address security of supply, decarbonisation, competitiveness, and energy efficiency in a more **integrated way**. In the past, this has not always been the case, including at national and regional level.

That said, AEBIOM can share some **studies** that have attempted to assess the cost-optimal level between renewable/waste heat supply and demand reductions.

Two studies investigating cost-optimality between energy efficiency and domestic heat supply include the following:

- [Heat Roadmap Europe 2050;](#)

- [Study of the Energy Institute of Johan Kepler University of Linz](#) investigated the cost reduction resulting from the thermal insulation of a building (Sanierungsstrategien, Okonomische, energetische und ökologische effekte verschiedener sanierungsstrategien. Energie Institut an der Johannes Kepler Universität Linz)

Current **economic models** used for policy-making do not seem to capture recent and future trends in the heat sector, especially for small-scale installations, and should be refined so as to fully capture the combined economic potential of the existing building stock in terms of energy efficiency and renewable heating and cooling. The EU Heating and Cooling Strategy and the review of the EU baseline scenario represent two great opportunities to bridge the gap.

The starting point should be to identify and analyse the state of play and trends in terms of:

- Heating and cooling consumption and heat devices broken down by end-user, source, and technology ;
- The building stock, with information broken down by category, age, location, ownership, etc.
- Technology costs and resource assessment.

This information will serve as crucial basis for developing a number of scenarios assessing the potential and optimum level between different options.

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***Question 4 - Question 18: Given uncertainties over future gas demand, how would you assess the risk of stranded assets (and hence unnecessary costs), lock-in effects, the risk of diverting investments from low carbon technologies such as renewables, delaying a transition in energy systems and how would you and weigh those against risks to gas security and resilience? What options exist in your view to reduce the risk of stranded assets?***

The risk of stranded assets and lock-in effects in fossil fuels infrastructure is indeed very high. Further infrastructure dedicated to natural gas is very much a questionable option because it fails to go beyond the very short-term, and because it is incompatible with the objective to decarbonise the economy (the fourth pillar of the Energy Union). The solution lies in the three no-regrets options identified by the European Commission in the Energy Roadmap 2050, namely a) a substantially higher share of renewables (including fuel switch from gas to renewable heat), b) energy efficiency, and c) smarter infrastructure.

Bioenergy is of particular interest to replace natural gas, either directly through biomethane production (biogas or gasification technologies) or by substituting natural gas with production of heating or electricity from biomass. It also reduces the need for further infrastructure, including LNG.

In this framework, there is a need to remove the remaining technology and market barriers hampering the development of renewables for heating and cooling, which can easily substitute natural gas, thereby improving security of supply. In terms of concrete regulatory measures in the framework of the review of existing legislation, the European Biomass Association brings forward the following proposals:

- *In the upcoming revision of EU Regulation on security of gas supply, Member States should be required, as part of their Preventive Action Plan, to establish a strategy to reduce gas consumption and to link this strategy with policy planning for reducing energy demand and for switching from gas to renewable energy sources. This would improve the consistency of energy policies across Europe in line with the Energy Union and help the transition away from fossil fuels.*
- *In line with Article 14 of the RES Directive, Member States must launch large national information campaigns to increase awareness of consumers on the benefits of switching from fossil fuels to renewable heat and facilitate access to information regarding suppliers and installers. Beyond 2020, existing measures should be strengthened, addressing the existing building stock. Regarding the post-2020 governance, the EC should update the list of indicators, including one on heating & cooling supply, one on prices for heating, one measuring the energy dependency.*

Attached:

- AEBIOM factsheet “Basics of Biomass”
- AEBIOM factsheet “Biomass and Energy Security”

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