
Note
CEER view on “Cost-benefit assessment of Gas quality harmonization”
16-September-2011

Background

The European Commission has contracted GL Noble Denton and Pöyry Energy Consulting to carry out a cost-benefit assessment of gas quality harmonization in the EU. A public consultation is being organized until 16 September 2011 on the preliminary results of this assessment.

The study, which is to be finalized in December 2011, is part of a wider project to harmonize the gas quality in the EU. The Commission has so far cooperated with EASEE-gas, GIE and other stakeholders and has mandated CEN to work on gas quality harmonization. CEN is expected to deliver a standard by 2013. The report written by GL Noble Denton and Pöyry will provide input for CEN's mandate in the form of a recommendation.

Status of work

The following is a note on CEER's GWG view of the report on costs and benefits of gas quality harmonisation in Europe.

- **Costs of Gas Quality harmonization exceed benefits**

The consultant's study only delivers preliminary results and no recommendations, but based on the data available and taking into account the different scenarios, it seems that the cost of harmonizing gas quality in Europe exceeds benefits for consumers by far. Experience shows that market integration can be possible even when differences in gas quality exist; these differences should thus rather be managed than harmonized at any price.

- The GWG therefore considers that harmonizing gas quality for gas appliances across the EU has no net benefit for consumers and should not be pushed throughout the EU.

- **Focus to be put on harmonisation of commercial standards in context gas quality and unit harmonization at cross border points to eliminate trade barriers**

In the view of the CEER GWG, the most essential improvement of interoperability in the European gas markets could be realized through harmonizing of commercial standards and units at cross border points. The main focus should lay on harmonization of commercial standards in the context of gas quality as a more efficient and less expensive way of removing barriers to trade in Europe. Other interoperability issues that should be kept in mind are odorization and bio methane: all gas injected to the distribution system should meet the

requirements of the respective distribution system and odorization should be limited to the distribution system to avoid undue barriers to trade.

- The GWG suggests concentrating efforts on harmonizing commercial standards and units at cross border points. The topic will also be granted an important space in the FG on Interoperability rules.
- **Conversion & processing facilities to be put in place where needed, subject to NRA approval**

In some cases, where security of supply considerations or specific problems related to market integration require it, conversion and processing facilities could be put in place at border points. This should be subject to approval by the relevant regulator.

- Where technically and economically feasible as well as justified by market or security of supply needs, gas quality harmonization through processing or conversion could take place, subject to regulators' approval.

Way forward

Further developments concerning the Commission's gas quality harmonization project will be monitored and analysed with regard to work on the FG on Interoperability rules.