

## **GIE Response to DG ENER's Public Consultation on the Preliminary Consultant Report on Cost-benefit assessment of Gas Quality Harmonisation in the EU**

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### **What is GIE?**

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 66 members in 26 European countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, Regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

### **Preliminary Consultant Report on Cost-benefit assessment of Gas Quality Harmonisation in the EU**

#### **General Notes**

- GIE welcomes DG ENER's initiative and its invitation to provide comments on the preliminary consultant report on cost-benefit assessment of Gas Quality Harmonisation in the EU.
- GIE recognises that harmonising gas specifications across the whole of Europe is challenging. However, harmonised specifications across EU are key to creating effective interoperability of networks facilitating a free trade of gas by lifting local gas quality barriers. In addition, such specifications need to be wide enough to not induce excessive treatment costs as that would risk increasing prices for end-users.
- GIE wants to outline that the issue of paramount importance regarding any proposal to change gas quality is safety. *Changes to gas quality specifications may lead to unintended consequences that have an impact on safety standards.*
- We fully recognize the fact that the European Commission's aim is to develop a gas specification appropriate for the European Union. However, we note that the final results of the cost-benefit analysis conducted by Pöyry and GL Noble Denton are based solely on the adoption of specifications based on EASEE-gas CBP Harmonisation of gas quality and the assessment of the replacement and treatment costs that harmonisation according to those specifications would generate. Given that some Member States already use gas specifications similar to one another and harmonisation towards the EASEE-gas recommendations may not be possible without large expense, it seems feasible that some harmonisation should be possible with minimal cost exposure. Perhaps, a more 'tailor made' study focused on regional gas quality issues (e.g. most critical parameters), different timelines for implementation and taking into account a broader range of issues would be appropriate. Moreover, further analysis could be carried out to



determine which gas specification could be acceptable to the largest number of Member States with the lowest replacement cost of domestic appliances across the European Union.



**Question 1: Do you agree with the high-level conclusions of this report?**

See General Notes.

**Question 2: As a manufacturer do you maintain an inventory of installed appliances?**

Not applicable.

**Question 3: Are there any specific gas quality related issues not recognised within this report?**

We note the following gas quality related issues which have not been recognised in the report:

- Biomethane:

The issue of biomethane has not been recognized whereas in November 2010, the EC launched the Mandate M/475 to CEN for Standards for bio-methane for injection in natural gas pipelines. Furthermore, we would like to note that some countries have started to inject biogas not only into distribution networks but also into high pressure networks. Therefore, it may be worth considering this aspect it in the study.

- L-gas:

We note that the CEN mandate M/400 on standardisation of gas qualities excludes L-gas and GIE supports this position. However, whereas the cost-benefit analysis does not tackle the issue of L-gas, it nevertheless includes some data on L-gas systems. This could potentially be misleading and it should be made clear that this does not infer the need to convert L-gas systems to H-gas.

- Odourisation

Mandate M/400 to CEN excludes the odourisation topic. Odourisation is handled in different ways across Europe and is a restriction to cross border trade as mentioned in the study. As noted by the consultant, work is currently being carried out on this topic by Marcogaz. It would be therefore worthwhile taking into consideration at least the preliminary results of this work.

**Question 4: Do you manufacture appliances that can operate over the full EASEE-gas specification without loss of efficiency or increased of emissions?**

Not applicable.

**Question 5: Do you have evidence of damage or failures caused by appliance operating on gas that is not compliant with the local gas quality specification?**

Not applicable.

**Question 6: Would you support the adoption of the proposed EUROMOT gas quality specification, (Appendix B)**

GIE does not support the adoption of the proposed EUROMOT gas quality specification. Parameters such the Methane Number, Ignitability and Laminar Combustion seem very specific to gas engines and not representatives for the entire EU market. Furthermore, the EUROMOT specification has some benefits but is unrealistically narrow in some circumstances (e.g. the maximum variation of



Wobbe-Index +/- 2% is too small). This would mean more restrictions which are not required in the vast majority of the Member States given that gas engines already operate in these systems. Moreover, it should be noted that the methodology for the calculation of Methane Number varies between countries.

***Question 7: Are there any specific circumstances that should be assessed in detail?***

- Cost allocation and recovery / responsibilities

For pipeline gas the most cost-efficient solution may be gas processing upstream at source. However, this seems quite difficult today and it is not feasible for LNG producers. It is more likely that gas will be treated in the EU (entry points, cross-border interconnection points). Therefore, it is necessary and very important to define responsibilities to deliver gas within specification or the processing of gas.

The installation of gas processing facilities should not be an obligation for infrastructure operators. Offering such additional services to market participants should be a choice for the operators.

However, in the case that infrastructure operators are obliged to invest in gas treatment facilities (to attract new sources of gas and LNG to Europe versus other global markets), a key principle should be that the regulators ensure that these additional costs (investments in blending facilities, operational costs, etc) should be recovered by infrastructure operators from downstream users, independently of the use of these facilities.

***Question 8: Do you consider that the data used to undertake this analysis is sufficient to support the conclusions presented in this report?***

The main conclusion is very high level and states that a net benefit would not materialise from harmonisation of Europe's gas quality to EASEE-gas specifications without any consideration of adjustment of that specification. Therefore, given that this report has been based on numerous assumptions, thus introducing a large uncertainty to the results (which is highlighted in the executive summary of the document) as well as the fact that it contains some errors, the data used could be considered as indicative only. However, GIE wonders if a so great economic disproportion between cost and benefit could be filled if better data were available and the errors could be corrected.

***Question 9: Should significant effort be made to improve the data used in the analysis presented in this report?***

See General Notes.

***Question 10: Do you have access to further data that could (if it were made available) improve the quality of the data used in the analysis presented in this report?***

Yes, GTE participated in the development of the current ENTSOG Transparency Platform, which includes information on gas specification at EU cross-border points. Furthermore, the results of GasQual's work on investigations on new acceptable EU limits for gas quality and the influence on the performance of new and installed gas appliances could help to improve the data inputs to this study.



**Question 11: Can you provide typical detailed gas composition at cross border points?**

Yes, see response to Question 12.

**Question 12: If so, can this data be made available (respecting confidentiality, as required)?**

The EC has included in the point 3.1.2 of the Transparency Guidelines (Decision of 10 November 2010 amending Chapter 3 of Annex I to Regulation (EC) No 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks) the next paragraph:

*“if relevant for access to the system, for all relevant points as defined in paragraph 3.2 of this Annex, a specification of relevant gas quality parameters, including at least the gross calorific value and the Wobbe index, and the liability or costs of conversion for network users in case gas is outside these specifications”*

Therefore, information about this data can be found in the TSOs websites.

Furthermore, GTE participated in the development of the current ENTSOG Transparency Platform (<http://www.gas-roads.eu/>). In this platform, information on gas specifications at cross border points can be obtained.

**Question 13: How should data be collected for such a study?**

If a questionnaire is developed, it should be ensured that the vast majority of stakeholders receive it and are aware of the importance of the process. Bilateral meetings with different stakeholders and workshops will be necessary.

**Finally, GIE would like to address a number of errors in the analysis which should be corrected in order to support an adequate decision making process:**

- Page 1 – Introduction:

In the paragraph: *“Against this background, a process has been launched with a view to creating a comprehensive and as complete as possible inventory of existing interoperability problems at points relevant for the single European gas market. This has been done in the study called 'an Inventory on Interoperability Issues on the EU Internal Market for Gas'. **The inventory is now being turned into an interactive database by GIE in cooperation with the Commission.**”*

Currently, GIE is not working on an interactive database and is unaware of this work item. We understand, however, that this passage may make reference to the work conducted previously by GIE and incorporated currently in ENTSOG’s Transparency Platform, in the section entitled “operational procedures”.

- Page 4 – Figure 3.1. Chart comparing Wobbe Index specifications for EU countries

The reference conditions used for this chart are missing.

The chart contains data relating to L-gas systems which are not included in Mandate M/400 and, for the sake of clarity, should be excluded here. Alternatively the report should state that those systems are excluded from the analysis.



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Specifications are wrong for several countries (e.g. Austria, Belgium).

- Page 16 – Table 5.1 – Additional Processing Matrix

Not all the gas flows were taken into account (for example, gas flowing from Spain to Portugal or from France to Spain).