



RAG RESPONSE TO DG ENER'S PUBLIC CONSULTATION ON THE PRELIMINARY CONSULTANT REPORT ON COST-BENEFIT ASSESSMENT OF GAS QUALITY HARMONISATION IN THE EU

Who is RAG?

The Company

Since its foundation in 1935, the staff at RAG Rohöl-Aufsuchungs Aktiengesellschaft has been applying their experience, their expert knowledge and their extensive commitment to ensure the sustainable provision of natural domestic energy resources in the form of oil and gas. Expanding from our home market in Austria, we are now also applying our expertise in other European countries. Storage of natural gas is another key area of our business. Thanks to over 30 years' experience and the continuing massive expansion in operations in recent years RAG now ranks amongst the leading storage operators in Europe. Our underground natural gas storages supply both national and international customers. This means that we are making a vital contribution to secure the supply in Austria and throughout the whole of Central Europe. Stockpiling crude oil as an emergency reserve for Austrian customers, trading and transport of natural gas, renewable energy projects such as geothermal energy and biogas complete the company's product portfolio. Our extensive experience, technological expertise, highly specialised knowledge and the strong commitment of our staff, together with the highest international safety and environmental engineering standards, have made RAG one of the most successful companies in Austria.

RAG Rohöl-Aufsuchungs Aktiengesellschaft is registered in the transparency register. The ID number in the register is: **98438514686-68**.

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

General Notes

- RAG 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.
- RAG 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.
- RAG 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 in the study.

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. At this point we would like to state that to us as a storage system operator odourising the gas in the transmission network is a "no go" because sulphur based odourisation can cause severe problems under storage operating conditions.

Hydrogen

Especially in Germany and other parts of Europe there are intentions to link infrastructures of the gas system and the electricity system. Surplus energy within the electricity system which is unable to be transported and stored can be transformed to hydrogen and injected to the gas infrastructure system ("Power to Gas"). RAG is very much supporting this "Power to Gas" concept because it is the way to integrate volatile renewable energy production (wind, solar) into the existing gas infrastructure. A harmonized European gas specification should consider the possibilities to inject hydrogen to the gas infrastructure, but also taking into account its technical limitations (e.g. Corrosion).

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)

RAG 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 infrastructures operators. Offering such additional services to market participants should be a choice for the operators.

However, in the case that infrastructures 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.

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?

No.

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

No.

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

Not applicable.

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

No answer.