



## **Gas in the future EU energy mix**

**What role for gas in a low-carbon energy sector?**

### **EURELECTRIC VIEWS**

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## Gas has the potential to play a leading role in a low-carbon economy

To reach an 80 to 95 % reduction in its CO2 emissions by 2050 the EU needs:

- **To increase RES penetration in the power system**

This requires sufficient level of back-up capacity from reliable, predictable, dispatchable and flexible generation

Gas plants can generally adapt production faster, farther and more reliably than other conventional plant with lower emissions

- **To make use of all low-carbon technologies**

Natural gas has a comparatively low CO2 content

Gas with CCS could and should be promoted

Let's not forget biogas



## Policy makers should not simply assume there will always be enough gas back up generation

- **Gas plants are faced with shrinking and negative spark spreads caused by:**
  - Distortions resulting from subsidised RES
  - Cheap coal being displaced into Europe
  - Low carbon prices under the ETS
  - Oil indexed gas prices and high take or pay obligations
- **Gas plants are losing money because of ever decreasing load factors:**
  - E.g. in Spain gas fired plants typically run less than 1000 hours per annum (<12%) and accounted for only 14.3% of electricity produced in 2012
  - Reward for providing flexibility is not enough to offset higher maintenance/upgrade costs
- **Uncertainty over gas fired generation's role in a future low-carbon economy**
  - EC documents sometimes give contradictory messages (e.g. Roadmap 2050)

**Many gas plants are being closed or mothballed raising fears over future generation adequacy**



## What needs to be done?

- **Investment in new generation assets should be driven by market needs to avoid subsidised boom and bust cycles that destroy value and result in stranded assets**
  - All energy sector subsidies should be progressively phased out moving towards 2020 and beyond
  - A robust CO2 price signal will determine the most effective generation mix for achieving the EU's objectives
- **Adopt a regional approach to assessing generation adequacy, determining the need for new generation capacity and avoiding over-capacity**
- **Capacity remuneration mechanisms are becoming a de facto reality in many MS:**
  - A coordinated EU approach to CRM criteria will help stabilise the climate for existing plants and for new investments and determine the volume of capacity needed
  - Such criteria should be market-based, technology-neutral, allow the participation of both existing and new capacity and take into account regional participation
- **Existing support schemes for RES generators should be adapted going forward to expose them to market prices.**
  - RES producers should be incentivised to sell their own production into the market and face the same obligations as other generators (i.e. scheduling, balancing, connection, grid charges)



**THANKS FOR LISTENING**