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REGULATORY SCRUTINY BOARD OPINION

**Proposal for a
DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on common rules for the internal markets in renewable and natural gases and in
hydrogen**

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the internal markets for renewable and natural gases and for hydrogen
(recast)**

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{SWD(2021) 455 – 458 final}



EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Revision of EU rules on Gas

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

Energy markets will need to transform to move towards an economy-wide net zero target, in line with the Climate Target Plan and the ‘Fit for 55’ package. The aim is to ensure that this transition can be achieved in a non-disruptive and cost-effective manner.

The EU Strategies for Energy System Integration and Hydrogen set out how energy markets could contribute to the goals of the European Green Deal. This included the replacement of fossil gases by renewable and low carbon methane and hydrogen. Both strategies propose the revision of the legislative framework to design competitive decarbonised gas markets. This should increase the contribution of the gas sector to decarbonisation of the overall energy system.

This initiative proposes to revise EU gas rules to facilitate the creation of the European hydrogen market and gradual decarbonisation of gaseous fuels markets. It also foresees measures for integrated infrastructure planning.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments to make changes to the report.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

- (1) The construction of the baseline and the options is not sufficiently clear.**
- (2) The report does not adequately analyse the distributional impacts.**

(C) What to improve

- (1) The conclusions of the evaluation should be fully integrated into the problem description. The report should address both the conclusions related to decarbonisation as well as those related to market issues. The problem definition should address how the**

This opinion concerns a draft impact assessment which may differ from the final version.

Commission européenne, B-1049 Bruxelles - Belgium. Office: BERL 08/010. E-mail: regulatory-scrutiny-board@ec.europa.eu

initiative shifts the nature of energy security towards resilience.

(2) The report should clearly spell out the role of the initiative as part of the enabling framework of the 'Fit for 55' package. It should explain why there is no common approach on the baseline between follow-up initiatives to the July Fit for 55 package. It should better describe how its baseline integrates the already proposed Fit for 55 initiatives. It should clarify the differences between the baseline and Option 0 and explain which one is used as point of comparison for the impact analysis and why.

(3) The report should be clear how the options were constructed and explain why certain measures are in one option, and not in another. The construction of the options should clearly reflect the main policy choices.

(4) The impact analysis should distinguish more between different actors, in particular between natural gas and hydrogen producers and consumers. This should include an assessment of the effects of the inbuilt flexibilities on different types of actors and a risk of fragmentation between Member States in the transition period.

(5) The report should provide an assessment of how the initiative may have different impacts for SMEs compared to other (larger) companies. The report should clarify the legal delivery instruments foreseen for the measures contained in the preferred option.

(6) The report should better reflect the dissenting and minority views throughout the report, including in the problem definition, the construction of the options, analysis of impacts and the choice of preferred option.

(7) The narrative of the report should be significantly improved. It should be re-written so that a non-expert reader understands easily all the issues at stake and the policy choices to be made. The glossary should be completed.

(8) The cost and benefit tables (in Annex 3) should be completed in the appropriate format.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG must revise the report in accordance with the Board's findings before launching the interservice consultation.

Full title	Revision of EU rules on Gas
Reference number	PLAN/2020/8564 PLAN/2020/8563
Submitted to RSB on	20 July 2021
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