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European Parliament: white smoke for EED and RED

The European Parliament [agreed today](#) on its **final positions** on EED and RED. Last July, we left on summer holidays with the Energy committee (ITRE) in the European Parliament striking a deal on compromise amendments on the review of two crucial files of the “Fit for 55” package: the Energy Efficiency Directive and the Renewable Energy Directive. While we did not hope for an easy-peasy translation into the official position of the Parliament – given the challenging times and some “too-close-to-call” positions – the amount of additional amendments tabled for the plenary vote on 14 September surprised us nonetheless. Most of these concern the RED, where lawmakers from all political sides backed a higher target of 45% but show a much less united front when it comes to issues like calculation rules for renewable fuels on non-biological origins (aka hydrogen additionality criteria) and biomass sustainability. After leaving everyone in suspense, both report on EED and RED have been adopted today as the final position of the European Parliament on these two crucial files. More specifically, Rapporteur on the RED, Markus Pieper (EPP-DE), scored on alternative compromises on more reasonable additionality criteria for hydrogen and sustainability criteria for biomass. Having the Council already reached its positions on the two files on 27 June, the co-legislators are now ready to start inter-institutional negotiations, the so-called “trilogue” talks, to find a compromise on the final text of the legislation. Keeping you posted.

Hydrogen and Decarbonised Gas Package: where were we

After the rapporteur for the [Gas Directive](#) Jens Geier (S&D – DE) and rapporteur for the [Gas Regulation](#) Jerzy Buzek (EPP – PL) have published their **draft reports** on the 22 June, MEPs have rushed to submit their own amendments by 13 July, respectively 1039 for the Directive and 671 for the Regulation. From a first analysis over summer of the tabled amendments, we observed that some of the most positive elements introduced by the rapporteurs, that would largely improve the Commission proposal, are not challenged by other political groups. This seems to be the case for instance of the distinction between hydrogen network operators at distribution and at transmission level and the creation of a definition for ‘hydrogen distribution’ which should allow for a better consideration of hydrogen uptake by gas DSOs.

However, without indulging in speculations in this moment of the legislative process, we should wait for the **compromise amendments** to be better defined to clarify where MEPs are standing: discussion on the compromise amendments started on 6 September and are expected to be finalise mid-November ahead of the vote in the ITRE committee on 28 November.

The EU ETS: what to expect from the trilogue negotiations

Despite a false and pittoresque start, the **EU ETS** seems to be full back on track. After going through first unsuccessful vote in plenary on 8 June, rejected by Socialists and Greens because too weak and by right-wing groups because too ambitious, the file was referred back to the ENVI committee, and voted again in plenary on 22 June. On its side, the Council agreed on a [general approach](#) on 29 June. European Parliament and Council could therefore hold their first round of “trilogue” negotiations on 11 July.

As from the [words](#) of the Rapporteur in the EP, Peter Liese (EPP – DE), there is room to close the file quickly and “definitely before the end on the Czech Presidency” in December. In fact, co-legislators apparently agree on many points, such as the inclusion of maritime sector, a significant increase of ambition to align with the 55% reduction target by 2030, provisions for protecting jobs, and, at least in principle, on the creation of the ETS II for heating and road transport. The most thorny discussion are [expected](#) to be around timing of inclusion of the maritime sector, criteria for granting free allowances – which the Parliament wants to submit to some additional requirements – and the details of the ETS II for heating and road transport. On this latter, it might be particularly challenging to find an agreement among EP, Council and Commission: to mention one, the EP will fight on its own to include all commercial emissions, to introduce a price cap and responsibility for the oil and gas producers to cover part of the costs. Next trilogue meeting will take place beginning of October.

AI Act: latest intelligence on the legislative process

Firstly, a short reminder on the topic (last mentioned in our May 2021 issue): the proposal for an Artificial Intelligence Act, published on 21 April 2021, aims to deliver the first-ever legal framework on AI. The AI Act is of relevance to the energy sector, as it imposes requirements on a list of high-risk AI applications, including those used to manage and operate critical infrastructure such as electricity, gas and water.

In the European Parliament, publication of the draft report was significantly delayed due to conflict of competence as regards the committee responsible. It was finally determined that the Committee on Internal Market and Consumer Protection (IMCO) (rapporteur: Brando Benifei (S&D, IT)) and the Committee on Civil Liberties, Justice and Home Affairs (rapporteur: Dragos Tudorache (Renew, RO)) would be jointly responsible. The text proposed by the joint rapporteurs on 20th April 2022 made some useful contributions, for example adding that systems affecting provision of internet should be considered high-risk, and making the definition of “safety components” more precise. However, the overly broad definition of ‘AI systems’ proposed by the EC – which would also include some conventional algorithms already in use today without any degree of autonomy or machine learning – remained untouched.

Thankfully, amongst the over 3000 MEP AMs tabled to the draft report on 13 June, a variety of good suggestions have been made by EPP, S&D and Renew regarding the ‘AI systems’ definition. A positive outcome can therefore be expected on this issue for the joint committee vote on 26/27 October.

It can be noted that this aligns with the position brought forward by the Czech Presidency on 15 July, in the Council’s first complete compromise. Indeed, the definition has been narrowed down in order to distinguish AI from traditional software, for example specifying that AI systems should have a degree of autonomy and use “machine learning and/or logic or knowledge-based approaches”. All points made by CEDEC in our amendments!

Spotlight on: Winter is coming!

The energy crisis is not resting. And policymakers dealing with it either. Just before the summer break, the Member States agreed – after difficult discussions – on a **15% reduction in gas demand** via [Council Regulation](#) so as to prepare for dwindling supplies of gas from Russia.

Hopefully energy ministers were able to catch a breath in the meantime since, as Europe is now leaving behind its hottest summer on record, temperatures have not been the only thing soaring to uncomfortable levels. Skyrocketing energy prices prompted the Commission to call for an extraordinary [Energy Council Meeting on 9 September](#) in order to discuss **further measures to prepare for the upcoming winter**. Although there is agreement that something must be done to insulate EU citizens and businesses from chilling energy bills, how exactly to achieve is being hotly debated. Agreement was nevertheless reached to ask the Commission to bring forward proposals on **four main areas for action**, namely:

- a possible price cap on gas;
- capping the revenue of electricity producers with low production costs;
- measures for coordinated electricity demand reduction;
- measures to help address the issue of decreased financial liquidity of energy companies.

In a leaked draft of the Regulation which would address these first two measures, the EC appears to be backtracking on its preferred option of imposing a price cap on Russian gas, in response to Member State concerns that this would cause Putin to turn off the taps. The draft proposal however maintains the idea of windfall taxes on surplus profits from electricity generators, as well as a separate revenue cap for low-carbon energy providers.

These issues were also addressed in the [State of the European Union](#) speech today, which featured unusually technical talk on energy policy. On gas price caps, Commission President Von der Leyen announced that, so as to balance security of supply and competitiveness on the global market, these would be designed in order to take into account the specific nature of the relationship with the supplier countries. Other important measures announced include departing from the TTF gas market benchmark to reflect the increasing use of LNG and achieve more representative electricity prices, and measures to address liquidity issues faced by energy companies on electricity futures markets, such as amendments to the rules on collaterals, as well as to the temporary state aid framework. Crucially, Von der Leyen called for a “deep and comprehensive reform of the electricity market” to overhaul the merit order principle and decouple the price of electricity from that of gas. Lastly, the creation of a new European Hydrogen Bank, which would guarantee the purchase of hydrogen and invest EUR 3 billion in the development of the EU hydrogen market was announced.

The Commission has called for another **emergency Energy Council meeting by the end of the month** in order to further discuss its proposals.

FROM OUR MEMBERS!

H2 infrastructure mapping

As from the conclusions of the 36th European Gas Regulatory Forum from 11-12 May 2022, CEDEC together with other representatives of the gas infrastructure industry – ENTSOG, EHB, GIE, Eurogas, GEODE, GD4S – is undertaking a joint action to visualise all hydrogen infrastructure projects in a form of a map that could be used by stakeholders and policy makers, with particular focus on assessing the costs and benefits of such projects. The first phase of this exercise consists in collecting data from hydrogen infrastructure projects, being new infrastructures as well as retrofitting and repurposing of existing infrastructures. Should you have any new projects or update to existing projects to signal, contact us for more info!

Upcoming meetings & Events

- CEDEC Board of Directors: 23 September 2022
- ENZA event “[Integrated solutions to deliver a net-zero energy system](#)”: 29 September 2022
- **SAVE THE DATE – CEDEC Annual Congress: 26 October 2022**