

EFET comments on the Roadmap for an EU Hydrogen Strategy

The European Federation of Energy Traders (EFET)¹ welcomes the European Commission's initiative to develop a roadmap for an EU Hydrogen Strategy,² designed to be linked with the Future EU Strategy for Energy System Integration.³ The objectives of both initiatives reflect the interest of EFET in cost-effective decarbonisation of the European economy by harnessing market mechanisms and linking the gas and power markets at wholesale level.⁴

In order to contribute to the overall efficiency and flexibility of Europe's energy system, **hydrogen must become an integral part of the European internal energy market.** Establishment of the IEM has been an enormous achievement since implementation of the early Electricity and Gas Directives.

Ensuring a **harmonised regulatory framework for the future gas market in Europe** - where hydrogen, as well as other low carbon, renewable and decarbonised gases, are set to play a more prominent role - will, in turn, require a revision of the European Network Codes and other existing regulations such as Renewable Energy Directive II.

The roadmap should also take into consideration the future strengthening, reforming and expansion of the EU ETS to include a recognition of the carbon abatement achieved through replacement of natural gas with (abated) hydrogen.⁵

We believe that, in order to deliver on their ultimate purpose, that is, to facilitate a cost-effective decarbonisation of the EU economy, both the future EU Hydrogen Strategy and the EU Energy System Integration Strategy should be underpinned by the following five policy priorities.

Policy priorities to underpin a cost-effective decarbonisation of the EU economy

1. Setting an ambitious, **economy-wide climate neutrality objective at Union level**

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

² EFET response to the Commission's consultation on the Roadmap for an EU Hydrogen Strategy is available at the following link: https://efet.org/Files/Documents/Internal%20Energy%20Market/EFET_response_to_H2_roadmap_strategy_final.pdf

³ EFET recommendations for a future EU energy system integration strategy are available at the following link: https://efet.org/Files/Documents/Internal%20Energy%20Market/Energy%20System%20Integration/EFET_recommendations%20for%20a%20future%20EU%20strategy%20on%20energy%20system%20integration_1.pdf

⁴ Please see the report by Frontier Economics for EFET "Gas decarbonisation and sector coupling: ensuring a market-based approach" available at https://efet.org/Files/Short%20Form%20Report%20-%20A%20market-based%20approach%20to%20gas%20decarbonisation%20and%20sector%20coupling_Frontier%20report%20for%20EFET%200.pdf

⁵ For further information, please see *Section 3.1. Creating market led decarbonisation incentives and a "common currency" for carbon abatement attributes* of EFET recommendations for a future EU energy system integration strategy: https://efet.org/Files/Documents/Internal%20Energy%20Market/Energy%20System%20Integration/EFET_recommendations%20for%20a%20future%20EU%20strategy%20on%20energy%20system%20integration_1.pdf

2. **Strengthening the EU ETS** in the short term, as it currently applies to power generation and heavy industries, then **reforming and expanding** it to become a long-term driver for decarbonisation across the EU economy
3. Utilising **market-based mechanisms** and adapting market instruments whenever financial support for new, low carbon energy sources is considered, while **respecting sectoral unbundling rules**
4. Ensuring **pan-European coordination and cross-border implementation of any financial support schemes** for renewable, decarbonised and low carbon gases, especially in case national end-use prohibitions of hydrocarbons should be foreseen
5. Insisting on **technological neutrality** of measures, to include **a level playing field between power and gas systems**, so that users face a cost reflective allocation of costs across both types of grid, without cross-subsidisation

We look forward to continuing our dialogue with the Commission about development of both initiatives. In the meantime, we will also be engaging with other relevant external parties that play a role in the debate on the future integration of Europe's energy system and development of a hydrogen market, in particular regulators, TSOs, national governments and industry associations.