Environmental Defense Fund urges the Commission to consider the need for New Network Codes and Guidelines for the gas sector to deliver on the European Green Deal (EGD) objective of decarbonising the gas sector, notably through addressing energy-related methane emissions.

While current Gas Network Codes may be fit for purpose to deliver on the internal market objectives of security of supply and affordability, they fall short of delivering on sustainability. Methane, in particular, is a powerful pollutant, 84-87 times more potent than CO2 in the first twenty years after it is emitted and responsible for 25% of warming we experience today. This represents a major, unaddressed threat to the European citizens’ welfare and comfort, seriously undermining energy efficiency ambitions.

The current regulatory framework was not designed with sustainability activities in mind. While there still remains uncertainty over the precise ways the EU envisaged gas sector decarbonisation, the EGD is clear on the need to decarbonise the gas sector “via a forward-looking design for a competitive decarbonised gas market, and by addressing the issue of energy-related methane emissions”. We believe the present opportunity to reform Gas Network Codes to be an important one to make progress on operationalising sustainability objectives.

Considering that, the purpose of energy regulation is to ensure a level playing field and that the direction of travel is very clearly moving towards sector integration as the main driver of decarbonisation. EDF wishes to stress that the sector integration initiative should be broad in scope. In addition to considering “new gases”, such as biogas, biomethane and hydrogen, sector integration should also include natural gas.

For as long as natural gas is in use in the European energy system, particularly to provide heating and as feedstock for industry, it is critical that firm sustainability requirements in relation to methane and CO2 emissions along the European gas supply chain apply and reflected in the market price. The cheap price and abundance of natural gas will keep representing a major barrier to the development of domestic renewables as price convergence between gas and power will remain slow. Efficient outcomes should be achieved through a full valuation of the environmental externalities of gas, namely methane and CO2 emissions.

**New Methane Management Network Code or Guideline**

We very much agree with ACER’s Bridge Beyond 2025 recommendations on the need to oblige TSOs, storage operators and LNG operators, as well as DSOs above a size threshold, to measure and report their methane emissions according to a standard methodology, with sufficient granularity to allow the identification of the highest emitters. We also agree with the requirement that the data, as per ACER’s recommendation, should be publicly available.
through a European Methane Emissions Observatory, as well as in the audited annual reports of the operators, which should also cover other sources of methane emissions. This should be possible to implement fairly quickly, building on ongoing work by DG Energy to establish a harmonised MRV methodology for methane emissions from O&G. The measurements should be followed by an action plan at system operator level to address emissions. NRAs should recognise efficiently incurred costs for regulated entities to the extent these go beyond typical Operations & Maintenance costs. Once emission data are sufficiently robust, tradeable permits or taxes on actual emissions could be introduced.

It is important to use both less and better gas. Acknowledging natural gas will still account for the biggest share of total molecules used in the EU market in 2030, it is important to develop clear market signals that not all molecules are equal.

While taxes and levies are defined by policy-makers, and are not, stricto sensu, related to the use of the network, it is important to rethink those taxes and levies through a sustainability angle, to minimise possible distortive effects.