European Union’s plan for a green transition – Unleashing a policy storm or a strategic guide through the energy transition in these new circumstances?

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On 8 March 2022, in light of Russia's invasion of Ukraine, the European Commission proposed the REPowerEU draft plan to make Europe independent from Russian fossil fuels well before 2030, starting with gas. The final REPowerEU Plan was presented by the European Commission on 18 May 2022. This is yet again a joint European action, a political go-ahead, coming straight from the core of the Union to tackle issues that are hindering the advancement of more affordable, secure and sustainable energy. The structure of the plan has raised eyebrows since it is steadfast in its mission and message and leaves very little room to cater for necessary service levels in the current state of affairs. Countries just transitioning to gas after a long and deep dependence on coal struggle more than others. The structures EU-wide are not necessarily ready to facilitate the green transitioning as planned, in the first place, and let alone now when fossil fuels are scarce. But we need to give it our best shot.

The subject of gas market decarbonisation combined with security of supply issues is highly challenging. If no EU financing is available for gas pipelines (which would include also infrastructure to facilitate biogas injection), a whole new set of issues will be at the forefront of the green transition. Energy sources which have been “definitively” put out of use in many countries, like peat and coal, might temporarily be taken back in the energy source arsenal just to cope with security of supply issues. How can this be done politically and how does Europe need to be guided through this new form of transition? This paper explores the possibilities of this new set of circumstances used to speed up the energy transition to both adequately fight the greenhouse gasses as well as to provide a structured approach to security of supply issues in these new circumstances.

Following the recent state of affairs in Europe, companies and the whole European Union (EU) has had to deepen their contemplations and take new factors into consideration as to achieving the goals of the EU’s Fit for 55 package, which was presented in July 2021. This massive exercise started well before the war in Ukraine. The package includes 13 legislative proposals (8 amendments to old directives and regulations and 5 brand new ones) on climate, transport, energy and taxation, that aim to reduce the EU’s net greenhouse gas emissions by at least 55 % by 2030 compared to 1990 and to achieve climate neutrality by 2050. Governments and companies need to put security of supply to the forefront and give it a status it should have had a long time ago, decarbonise gas to gain freedom from fossil gas well in advance of the previously contemplated schedule and possibly change companies’ energy systems to be ready to utilize other new green cases.

After the initial 13 proposals were published, we have seen new European and national energy and climate related strategies, offshore renewable energy strategy, solar strategy combined with REPowerEU which all are signposts to where we should go. What is interesting, is the flexibility, if any, these have and if they would facilitate catering solutions for the situations where we find ourselves in now.

The Trans-European Networks for Energy (TEN-E) is a policy that is focused on linking the energy infrastructure of EU countries. As part of the policy, nine priority corridors and three priority thematic areas have been identified. TEN-E has been revised in June 2022 in a manner that natural gas infrastructure and oil pipelines will no longer be eligible for PCI status. The European Commission has adopted the 5th list of energy Projects of Common Interest (PCIs). The PCI list is published as a
delegated act and is a list of key infrastructure projects aimed at completing the European internal energy market and the EU’s climate policy targets.

The current PCI list (which is the 5th to be published) includes 98 projects: 67 projects in electricity transmission and storage, 20 in gas, six CO2 network projects and five smart grid projects. The Connecting Europe Facility financing cannot be applied for without PCI status. New and updated infrastructure categories (now including smart grids and hydrogen pipelines) will support smart electricity grids and better uptake of renewable and low-carbon gases, including hydrogen. The question is what will happen to these 20 gas projects on the list and what is their purpose in the vast gas network within the European union and how the lack of EU funding will affect the functionality of the network and the gas flows going forward.

Europe needs to diversify its energy sources, create more opportunities to utilise LNG terminals, get the volumes of biomethane into the distribution and transmission infrastructure and support renewable hydrogen production and imports. Europe needs to bridge the energy markets and educate end-users to be active participants. Our infrastructure needs to be future proof and future ready at all levels. Investors are looking for longer offtake agreements in order to participate in future-ready infrastructure financing. Market participants are used to spot agreements. This gap needs to be bridged for the investments to happen.

All of this needs to be boosted by energy efficiency measures, by increasing renewables in the energy mix, by applying electrification to the largest extent possible, and by using hydrogen in areas that are hard to abate. Digitalization could be used as an aid to solve bottlenecks in the infrastructure. One focal point, which remains to be seen, is how many of the bottlenecks will remain due to lack of EU financing for gas infrastructure.

By using policy and regulation combined with needed technology and public perception we can establish an interplay between the old and the new without necessarily having to choose between the two. Green transition, at almost any pace, does not come easy. We need to appreciate facts, markets and infrastructure already existing and build on it. We need to acknowledge the basic needs of the members of the EU while constantly pushing for innovative solutions on all fronts, toning down energy consumption, making new infrastructure available and securing molecules. While we hope for the volumes of the renewable gases to reach market-level magnitude, simultaneously we also need to support the industry and markets with fossil gas.

The gas space is waiting for guidance and real plans from the European Commission, not just numbers on paper. While the ambition is a full green transition, the market still functions on and largely relies on fossil fuels. The Green Deal in its totality and the REPowerEU especially counts on solar, wind and hydrogen as the vehicles going forward, but we cannot forget where we are currently and what makes the systems run. When we aim for stress-free, not threatened molecules, we will all be better off. When we get enough molecule and demand to the EU, we can make the EU the prime market for gas/LNG whilst aiming our efforts towards making the molecules greener and fit for the future challenges that lie ahead.