

Shell response to the public consultation on the roadmap/Inception Impact Assessment on the ‘Hydrogen and Gas Markets Decarbonization Package’

1. Shell¹ welcomes the EU Green Deal and supports the target to achieve climate neutrality in the EU by 2050². For this to happen, industry needs clear goals and predictable policies to provide the business case for investment. Shell wants to play its part and has outlined [its Powering Progress strategy](#) to reach Net Zero Emissions by 2050 or sooner, in step with society.
2. We believe that the revision of the Gas Market Directive and Regulation should be placed in the **context of the EU climate neutrality objective and be closely aligned with the fit-for-55 package**. It will require a predictable regulatory framework which is fair to all market participants and an integrated investment plan for infrastructure. It should build and expand on the achievements of the Internal Gas Market: a liquid and EU wide competitive gas market.
3. It should allow for the integration into the market of increasing amounts of renewable and decarbonized gases, including decentralized production connecting at distribution level. It should create a coherent and predictable policy framework which creates the market, stimulating supply as well as demand for low-carbon molecules and electrons. This is particularly relevant for hard-to-abate industrial sectors, where demand for low-carbon energy such as hydrogen will require specific measures, also in the framework of the Renewable Energy Directive.
4. Over time, renewable and low-carbon **hydrogen should become a tradeable commodity in a liquid European wide internal market**. To start the hydrogen market and enable commercial players to invest with confidence, the regulatory framework should mirror the main features of the gas regulatory framework: unbundling, third-party access and cost-efficient non-discriminatory tariffs. Gas-infrastructure-operators should be allowed to develop dedicated hydrogen and CO₂ pipelines as part of a CCS and carbon removals solution for industrial clusters and hard-to-abate sectors in the EU. Gas-infrastructure-operators involvement should not result in crowding-out of commercial investment in parts of the value chain where competition can be developed (e.g. production and supply). It should avoid cross-commodity subsidization.
5. Decarbonization of the gas market will also require agreed EU terminology and recognition of renewable and low-carbon gases through a system of certification based on life cycle GHG emission savings. Shell strongly supports **convergence towards and EU wide market of the currently fragmented national markets for Guarantees of Origin (GoOs) and certificates**. We would welcome a single legal instrument for the EU-wide Certification and (GoO) scheme that covers both electrons and molecules which could probably best be achieved by reform of the Renewable Energy Directive. Revision of the gas market directive and regulation should be coherent with this.
6. In the near and mid-term, natural gas will still play an important role, replacing **coal in the power sector**, as well as to produce **low-carbon hydrogen** (coupled with CCS or through pyrolysis). Ensuring the well-functioning of the gas market and security of supply should therefore remain a key objective in the transition phase. We support a regulatory level playing field between gas imports through LNG and pipelines and application of third-party access and anti-hoarding rules for LNG terminals to ensure efficient utilization of the infrastructure.

¹ The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate legal entities. In this response “Shell” is used for convenience only. Likewise, the words “we”, “us” and “our” are also used to refer to Royal Dutch Shell plc and its subsidiaries in general or to those who work for them

² While Shell is supportive of the EU target of net-zero greenhouse gas emissions by 2050, our current business plan is not consistent with the proposed EU target. However, as announced on April 16, 2020, Shell aims to be a net-zero emissions energy business by 2050. Accordingly, we expect that over time, our business plan will change as society and our customers move toward meeting the goals of the Paris Agreement.