

GME NEWSLETTER - The new issue has been published

Rome 15 March 2021 – The new issue of the newsletter of Gestore dei Mercati Energetici (GME) is online, downloadable from the website www.mercatoelettrico.org.

The newsletter opens with a commentary by Claudia Checchi and Giuseppe Maggiulli REF-E on the initial indications regarding the regulation of hydrogen infrastructures. *"On 8 July 2020 the European Commission published the Hydrogen Strategy for a Climate-neutral Europe, a policy document which, although still without legal value, illustrates a first roadmap of actions aimed at stimulating the production and demand of clean hydrogen generated from renewable sources"*, underlined the REF-E analysts. Within this document, they continued, what is highlighted is the *"need to create an infrastructure for the transportation of hydrogen, which is essential for linking supply and demand. The need for new networks, at least to begin with, will in any case remain limited considering that the demand for hydrogen can be 'satisfied by on-site production, carried out in industrial agglomerations by exploiting the already existing connections"*. But if in the first phase it will be possible to use the mixing of hydrogen with natural gas by exploiting the existing network, *"between 2025 and 2030, with the increase in demand for hydrogen coming mainly from the hard-to-abate sectors (now fuelled by natural gas), a more widespread development of the transport infrastructure will need to be provided involving, in addition to existing gas pipelines, also the construction of new infrastructures dedicated to hydrogen"*, explained Checchi and Maggiulli. The need for a network that is new or reconverted for the transportation of hydrogen, a requirement strongly correlated to the trend in production and demand for the same, will however imply *"the definition of a new regulatory framework. Directive 2009/73/EC, which defines the common rules for the transportation, distribution and storage of natural gas"* can only be applied *"in the case of hydrogen mixed with natural gas, leaving pure hydrogen outside the regulatory perimeter. In this context of regulatory deficiency for hydrogen networks - the REF-E experts observed -, the first indications of the European regulators are inserted, produced in terms of recommendations with the aim of assisting the European Commission in the evaluation of different alternatives in view of a legislation on hydrogen and the integration of energy systems"*. However, one of the first recommendations to emerge is that of *"adopting a gradual approach, which takes*



into account the different level of development of hydrogen demand and production among the various member countries of the European Union. Initially, there are no obstacles to the possible creation of private networks excluded from the regulatory perimeter, but the European Commission should apply a dynamic system - Checchi and Maggiulli admitted -, based on periodic analysis and monitoring of the markets in order to assess the existence or probability that a situation of natural monopoly could be triggered, with the consequent risk of abuse of a dominant position by the owner of the hydrogen transportation infrastructure". In this sense, the REF-E analysts continued "ACER and CEER consider it possible to extend the governance model of gas networks, including to hydrogen networks" but in addition to the principles of third-party-access and non-discrimination, other principles to be integrated in the governance model of hydrogen infrastructures must concern "ownership unbundling for vertically integrated companies; the management of the networks, which must be the responsibility of a regulated entity placed under constant monitoring by the national regulatory authorities, according to clearly defined rules and parameters; the transparency of relevant information; the definition of consumer protection rules, if hydrogen is used directly by households". Finally, in the first phase of development of the hydrogen supply chain, "in the case of a specific regulation for the networks of the same, it will be necessary to provide for the implementation of an exemption system that is used to facilitate the creation of the local connection system (business-to-business) between demand and production". Essentially, the two REF-E analysts point out "the increase in production and demand necessary to bring the hydrogen share to values of 13-14% compared to the European energy production mix by 2050, as envisaged by the European Commission, cannot be the result of market mechanisms alone. In fact, it will be necessary not only to support investments and to promote research and cooperation with other member countries but also to start a planning program for the development of infrastructures for transport and hydrogen refuelling, clearly defining those that will be the regulatory principles of the new networks", concluded Checchi and Maggiulli.

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, the section dedicated



to the analysis of trends in the Italian gas market and the analysis section on trends in Europe, which explores the trends on the main European commodities markets.

The new GME publication also reports, as is now customary, the summary data of the electricity market for the month of February 2021.

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Press release