

GAS DECARBONISATION AND SECTOR COUPLING: ENSURING A MARKET-BASED APPROACH

PRESS RELEASE

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The European Federation of Energy Traders (EFET)¹ welcomes the excellent work done by Frontier Economics (Frontier) for us on the report titled “[Gas decarbonisation and sector coupling: ensuring a market-based approach](#)” launched in Brussels on 26 February 2020. We look forward to engaging in debates on the findings and recommendations of the report with our counterparts in the industry, as well as policymakers in Brussels, Berlin and other European capitals.

The focus of the reports and studies that have been carried out on sector coupling to date has been primarily placed either on infrastructure planning or indeed on mapping out the regulatory hurdles and gaps that may prevent closer linking of the EU gas and electricity sectors.

In order to take the debate on the subject a step further, we commissioned the present study to explore how market-based mechanisms can be harnessed to enable **cost-effective decarbonisation of the gas system** and **efficient coupling of the gas and power sectors**.

We invited Frontier to concentrate on the following questions:

1. *Can **market based mechanisms** be harnessed, adapted and/or created in Europe so as to give adequate price signals to incentivise investment in decarbonisation of the gas system and **efficient coupling of the gas and power sectors**?*
2. *If so, which mechanism or system in which timeframe would most **effectively reward carbon abatement (alternatively penalise non-abatement) in the gas sector** in a market-based, technology-neutral way?*
3. *How can we **ensure flexibility available in the gas system is used efficiently**, to support an electricity system marked by an increasing share of intermittent renewable power production?*

Policy recommendations set out in the report highlight the key role of a credible harmonised EU-wide carbon pricing scheme as the long term driver for decarbonisation across the economy, pointing to the importance of continued strengthening and expansion of the EU Emissions Trading System (ETS). The report also makes the case for greater harmonisation between any national carbon abatement mechanisms and for their eventual merging with the EU ETS. The report states that, should any support mechanisms for decarbonisation of gas sector be necessary as an interim solution, they should be technology-neutral, avoid handing producers or suppliers fixed, non-market based subsidies, and be open across EU (and third country) borders.

“We wanted a study, which would stand out from others on the subject, concentrating on potential market-based solutions. We therefore asked Frontier to consider an expanded role for the EU ETS and, in an initial phase, the scope for a new market at EU level in instruments certifying carbon removal or a switch to low carbon gas content” said Peter Styles, EFET Board Member.

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, please visit our website: www.efet.org.

Christoph Riechmann, a Director in Frontier's energy practice added: "Our report for EFET sets out a blueprint for European policymakers for decarbonising the gas sector and the wider economy in a cost-effective manner. It covers a number of issues relevant for the 'European Green Deal', one of the key priorities for the current Commission."