Energy Transition Weekly

Contents

In Focus Page 2
GOs Page 3
PPAs Page 4
Carbon Page 5
News Page 6-8

Navigating the road to climate neutrality

MONTEL

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Energy firms rush to sever links with Russia

European energy companies are rapidly exiting their business interests with Russian firms following its invasion of Ukraine

One of the first announcements came from British energy giant BP, which said it would exit its 19.75% stake in Russian state-owned oil firm Rosneft, due to Russia's invasion of Ukraine.

"Russia's attack on Ukraine is an act of aggression which is having tragic consequences across the region," said BP chairman Helge Lund in a statement.

"It has led the BP board to conclude, after a thorough process, that our involvement with Rosneft, a state-owned enterprise, simply cannot continue."

The Russian state holds a 50% share in Rosneft, via its subsidiary Rosneftegaz, while China's CEFC owns a 14.16% stake. Smaller slices are held by Moscow Exchange, Qatar's QIA and Anglo-Swiss trading and mining firm Glencore.

Glencore also said it was reviewing its Russian business activities, including its 0.57% stake in Rosneft.

"Glencore condemns the actions taken by the Russian government against the people of Ukraine," the Anglo-Swiss trading and mining firm said.

Continues on p2...

EU could cut Russian gas imports by 30%

Europe could slash imports of Russian gas by more than 50bcm/annum, or around a third, within a year by diversifying supplies, says the International Energy Agency (IEA)

This total could be hiked to 80bcm if countries increased the use of coal, or used alternative fuels such as oil within existing gas-fired power plants, though this was incompatible with the region's energy transition, the IEA said in the wake of Russia's invasion of neighbouring Ukraine.

Under a 10-point plan related to the first scenario, the IEA said Europe should refrain from signing any new gas supply contracts with Russia, which would lead to a greater diversification of supply.

Europe should replace Russian supply with gas from alternative sources.

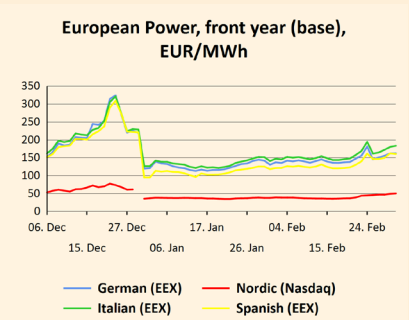
Production inside the EU and non-Russian pipeline imports could increase over the next year by up to 10bcm from 2021 levels.

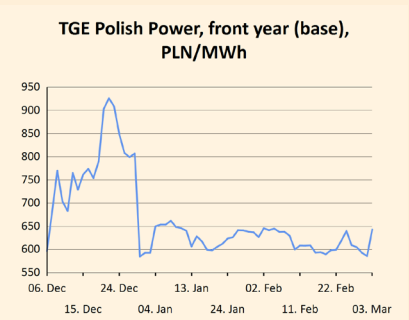
The EU could also increase LNG imports by around 60bcm, although intense global competition would lead to supply tightness and high prices.

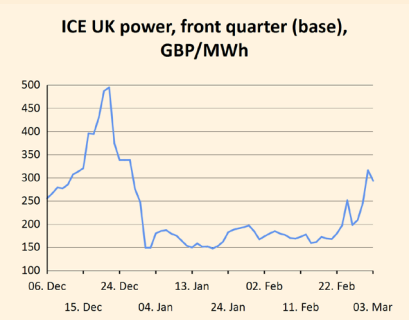
With respect to weaning Europe off fossil fuels and facilitating the green transition, accelerating the deployment of new wind and solar projects would cut gas use by 6bcm within a year, the IEA said.

By tackling permitting delays, Europe could add as much as 20 TWh of renewable capacity over the next year. *KP*

Power







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Shell also said it would exit its joint ventures with Gazprom, including its involvement with the Nord Stream 2 project and its stake in the Sakhalin 2 LNG facility.

Shell is one of five energy companies which have each committed to provide financing and guarantees for up to 10% of the estimated EUR 9.5bn total cost of the controversial 55bcm/year Nord Stream 2 project.

Austrian oil and gas company OMV also said was considering abandoning its financial investment in the pipeline.

In addition, OMV has halted negotiations with Russia's state-owned Gazprom about further gas project acquisitions in the country, following the invasion of Ukraine.

German energy company Wintershall Dea said it was writing off its investment of about EUR 1bn in the Nord Stream 2 gas pipeline project in light of Russia's aggression against Ukraine.

In Finland, utility Fortum had stopped all new investment projects in Russia until further notice, it said.

In addition, it would seek to reduce its exposure to thermal energy in the country, CEO Markus Rauramo said. Fortum operates seven thermal power plants in Russia. And Finnish municipal utility Helen said it would start sourcing coal for its 220 MW Hanasaari and 160 MW Salmisaari combined heat and power (CHP) plants from non-Russian sources amid Russia's invasion of Ukraine.

In Denmark, Orsted halted purchases of Russian coal and biomass, but said it would not yet withdraw from a long-term Gazprom gas deal.

TotalEnergies said it would "no longer provide capital for new projects in Russia" in the wake of the Russian invasion of Ukraine. And Italy's Eni was planning to exit its 16bcm/year Blue Stream gas pipeline joint venture with Russia's Gazprom.

War shows need for higher renewables target – MEP

Russia's war with Ukraine shows the EU needs a higher, 45% renewables target for 2030 to reduce its dependence on Russian gas, the European Parliament's lead lawmaker for renewables, Markus Pieper said.

The European Commission had proposed in July increasing the EU's 2030 renewables' share target to 40% from 32%, as part of efforts focused on mitigating climate change.

"The Russian war against Ukraine is now forcing us to focus even more on our strategic autonomy, apart from climate change," said Pieper, a German member of the European People's Party (EPP), the biggest group in the parliament.

European gas prices surged to record highs this week as the war fanned fears of shortages. Europe gets around 40% of its gas from Russia, its biggest external supplier.

"It's very realistic that Russia will shut down gas supplies to Europe" in response to the EU's recent economic sanctions, German EPP member Christian Ehler told the parliament's energy committee on Thursday during a debate on prices.

The EU this week blocked several Russian banks from accessing the Swift international banking messaging system, with the aim of making international trade with Russia more difficult and costly.

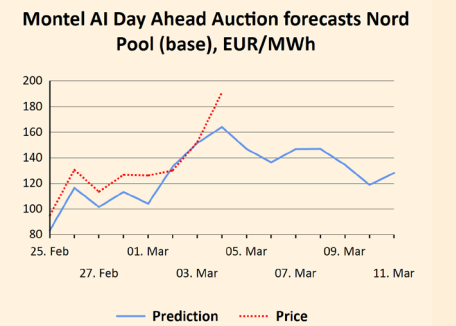
It did not block access for Sberbank and Gazprombank, however, the two main banks used to process EU payments for Russian oil and gas supplies.

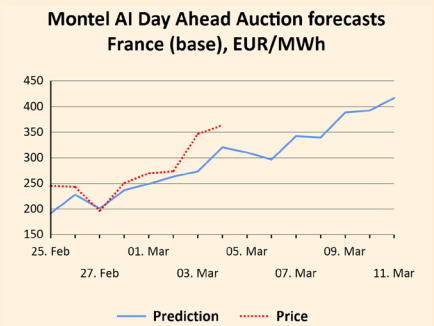
EU energy commissioner Kadri Simson told the committee that it had become "painfully clear" that the EU could not have any third country able to "destabilise our energy markets or influence our energy choices."

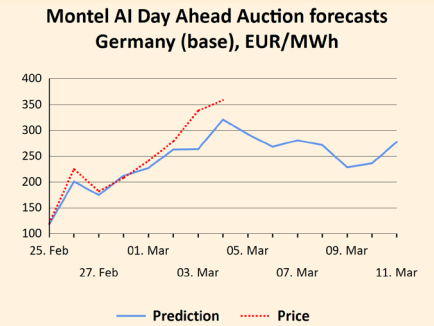
The EC would present next week short and medium-term measures for tackling both energy security and price shocks, she said.

This is a follow-up to the EC's October "toolbox" for mitigating high energy prices, and it is expected to include measures on storage, LNG, carbon market data and taxing windfall power profits. *SH*

AI







GO prices ease on increased supply

Guarantees of origin (GO) prices for all production years have edged lower in the week to Thursday, as increased supplies weighed on the market amid strong trading volumes

The Nordic hydropower Cal 21 contract was trading in a EUR 1.10-1.20/MWh range, down from EUR 1.23-1.25/MWh the previous week, according to several traders. Cal 22 fell to EUR 2.10-2.20/MWh from EUR 2.30-2.37/MWh.

"The lower prices we saw last week and this week had to do with an increase in supplies coming into the market and quite a lot offers versus buyers," said Greenfact analyst Selma-Penna Utonih. "We've seen a decrease in prices for all vintage years and all technologies." Vintage refers to the year in which a carbon credit was issued.

Market participants estimated a drop of about EUR 0.05-0.10/MWh across the board.

Agostino Noce, senior trader in environmental markets at Ego Energy, said the risk of having lower hydropower and wind production last year did not materialise.

The hydrological balance in the Nordic region, the largest producer of hydropower GOs, in the second half of 2021 showed a deficit, which fuelled expectations of lower hydropower production and lower GO supplies.

Overall, Noce expected the higher-than-anticipated renewable energy production to be balanced out by the residual buying ahead of the compliance deadline and steady demand the rest of the year.

Some market participants said 2021 GOs pared some of their earlier losses this week on stronger demand ahead of the compliance deadline, with most of the trading volumes concentrated on the 2021 certificates.

In most European countries GO buyers have until 31 March to cancel certificates to verify their previous year's consumption. In Germany, they have until the end of October.

Noce expected 2021 GO prices to stay above EUR 1/MWh in coming weeks.

Demand for GOs has been growing steadily at an annual average of 10% and that percentage might increase in the years to come as more industrials and corporations are pledging to decarbonise their operations and committing to using 100% green energy, participants noted.

The ongoing Russian invasion of Ukraine has underlined Europe's high dependency on gas, prompting many countries to bring forward their plans to deploy renewable energy capacity at a faster pace, noted Greenfact's Utonih.

If certain current restrictions regarding the issuance of GOs are overcome, "a faster deployment of renewables can translate to an increase of fresh GO supplies," she said. She was referring to countries such as Germany, where green power producers cannot issue GOs if they receive government subsidies.

The expectation of higher GO supplies ahead has painted a more bearish picture of forward certificates such as 2024 and 2025 and has kept activity more muted farther down the curve, she added. *ET*

Hasten green transition to ensure supply – think tank

Russia's invasion of Ukraine and the subsequent barrage of sanctions the country now faces highlights the need for Europe to accelerate its shift to renewable energy, a representative of research group Carbon Tracker said.

The war should serve as a "significant accelerator" in the transition to net zero, Catharina Hillenbrand Von der Neyen, the group's head of research told a UK House of Lords Economic Affairs Committee, focused on UK energy supply and investment.

A move away from extracted, fossil-fuel energy sources and towards manufactured, renewable energy sources would help to ensure Europe's security of supply and mitigate the price spikes currently seen in wholesale energy markets amidst the Ukraine crisis. "One should not be fooled into thinking LNG is going to solve the [supply] issue."

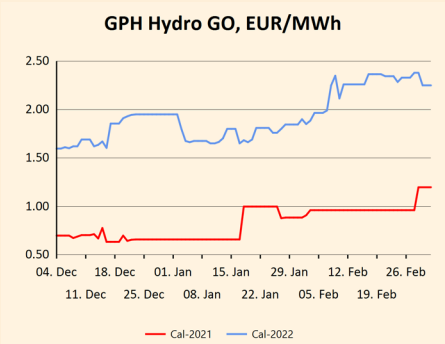
Global commodities prices have surged following Russia's invasion of Ukraine.

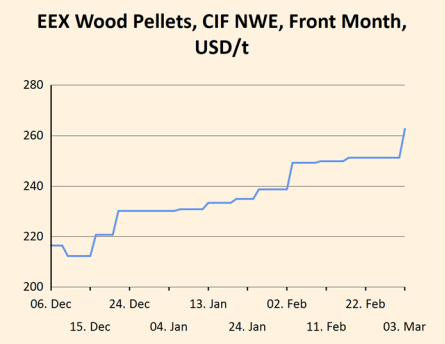
The war underlined a need for the UK to double down on its drive towards renewables, agreed Dr Nina Skorupska, chief executive of the UK's Renewable Energy Association.

"If we'd have done more up to this point we'd be more insulated now," she said. Skorupska added the UK government needed to do more to provide clear market signals showing the long-term profitability of a particular asset in order to attract more investment in renewables.

More technologies, such as carbon capture and storage should be included in the country's contracts for difference scheme, she said. *KP*

GOs





Momentum gathers in Romanian market

Romania is likely to conclude a growing number of power purchase agreements (PPAs) this year following the removal of legal barriers, robust power prices and a strong industrial base

Romania's energy transition, based on a coal phase-out by 2032, is forecast to see rapid build-out of merchant renewable projects.

Consultancy Aurora forecasts that installed renewable capacity could grow 6 GW to 10 GW by 2030, with an equal share of 5 GW for onshore wind and solar.

"It is extremely promising in Romania. If we go down the route with PPAs then there are offtakers and counterparties ready to engage with us," said Jeppe Udby, head of project development at Danish renewables producer Eurowind.

Earlier last year, authorities abolished an eight-year long ban on PPAs which would enable counterparties to sign bilateral contracts outside of the TSO Transelectrica-run exchange Opcom, liberalising the market. All deals would require support and review of the national regulator ANRE.

Many Romanian heavy industrial companies, such as auto manufacturer Dacia, may be interested in securing part of their future energy consumption through PPAs.

"Already we see that we can match the renewable energy production with large-scale consumption – that is the way going forward," said Udby.

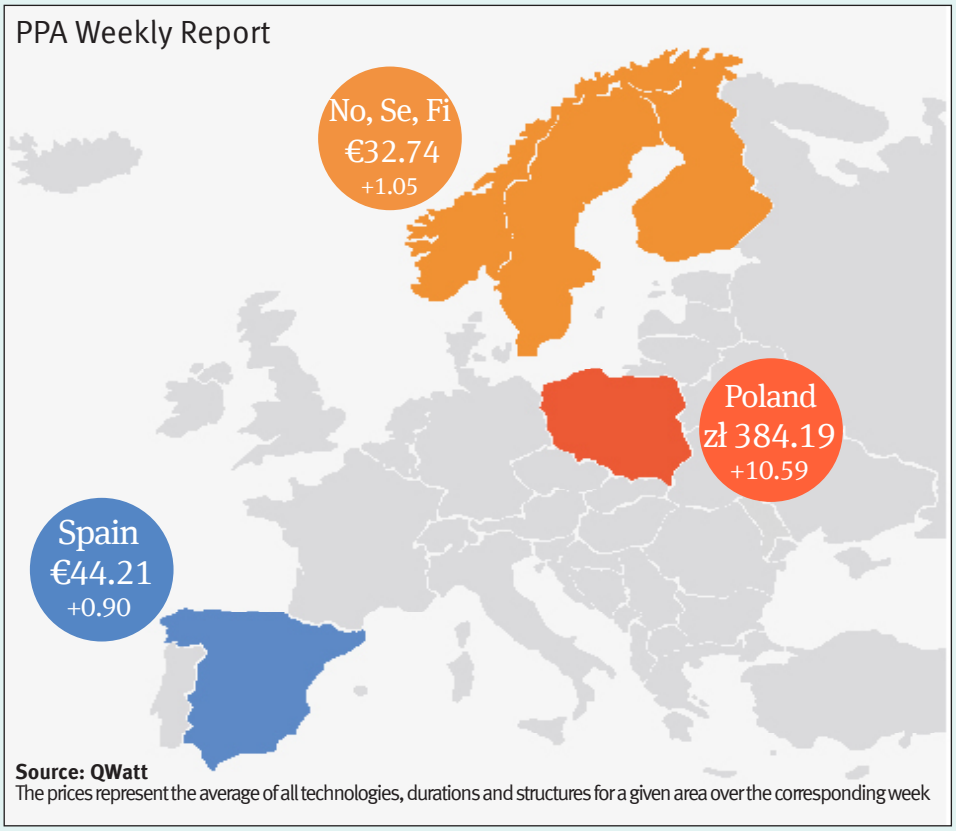
Majdouline El Aasemi, global head of PPAs at DNV, said she was likewise seeing growing interest from corporate clients in Romanian renewable procurement, as in other parts of eastern Europe, and expected more activity in the year ahead.

Part of the lure of the Romanian market is expectation of strong power prices. Aurora forecasts showed that average capture prices would remain above levelised costs, but the greatest premium for onshore wind would be in 2030 and for solar, in 2025.

A 10-year Romanian onshore wind PPA was last estimated at EUR 72/MWh, according to data provider Qwatt.

Romania's Commodity Exchange also launched a trading platform in February for negotiating bilateral deals following the legislative change, which will add to the Opcom platform.

However, introduction of a contracts-for-difference support mechanism from next year means some developers could opt to compete for subsidies rather than going merchant, reducing potential PPA capacity, said Aurora.



Source: QWatt
The prices represent the average of all technologies, durations and structures for a given area over the corresponding week

Although there are many industrial players, Aurora anticipated that the corporate demand base willing to enter a PPA would still be around half of possible supply by the end of the decade.

The first deal has already emerged, with Axpo last year signing an agreement with Czech utility Cez to offtake and hedge half of the output from three wind farms totalling 600 MW of capacity.

Cez's Fantanele-Cogealac onshore wind cluster is currently the country's largest project, accounting for one-fifth of total wind capacity last year.

Last week, Axpo also functioned as intermediary in a Romanian 5-year deal between Verbund and a large automobile company to deliver 70 GWh of onshore wind power annually.

The government has set a target to cover 30.7% of its power mix with renewables, up from a 24% share in 2020. *TC*

EUA volatility to persist amid war

European carbon prices are set to remain volatile in the coming week as the Russia-Ukraine war continued to rock financial markets

The benchmark Dec 22 EUA contract was last seen trading at EUR 67.67/t on Ice Endex. The contract had lost about 23% from last Friday's settlement and some 31% from the record high of EUR 98.49/t on 8 February.

The spark of Wednesday's massive sell-off, where prices hit a 19-week low of EUR 55/t, was due to the impact of the war on financial market, scaring off non-compliance investors in EUAs, said market participants.

"We believe this week's price development has been triggered by a 'risk-off' precedent among speculative players who are looking to reallocate liquidity amid the extremely uncertain climate," said Icis carbon analyst Lewis Unstead.

Potential production slowdowns and shutdowns by gas-reliant industrial plants in the EU as Russian flows could be disrupted added to further bearish pressure, he said.

The latest Ice commitment of traders report, which provides a breakdown of participants' positions as of last Friday, showed investment funds decreasing their net long position by approximately 2.23m EUAs but still holding more than 23m EUAs at the beginning of this week.

Furthermore, compliance buying slowed as many EU member states had already distributed free allowances and power companies were less active in carbon as they needed more liquidity to cope with spiralling gas and coal prices, said Vertis analyst Bernadett Papp.

These have until the end of April to surrender EUAs matching their 2021 emissions.

"Companies that now have free allowances and do not want to spend their money in these uncertain times, are opting to use their 2022 free allocations," Papp said. "There were some companies that stepped back and didn't buy."

And while agreeing that the big sellers over the past week were financial entities, Papp also underscored their buying interest when prices plunged to EUR 55/t.

With the increased volatility across the energy complex and the recent sell-off catching many off guard, market analysts are more hesitant to make price forecasts.

Icis' Unstead saw it unlikely that speculators would rebuild their net long positions in the immediate term and pegged EUR 60/t as a key short-term support, while dip buying by utilities might limit the magnitude of any further downside move and bring EUAs back to EUR 70/t.

Papp said the 200-day moving average of EUR 66/t was in the past a long-term strong support and reckoned that "a EUR 10 move up or down can be in the weekly volatility range considering the uncertainty in the market right now". *ET*

EC wants more public, detailed CO2 market data

The European Commission wants more public, detailed data on trading carbon emission allowances and their derivatives to boost confidence in the market, according to a draft paper.

"Better visibility and improved scrutiny of the market in options contracts could yield further insight into the overall market dynamics," the EC said in the draft paper seen by Montel.

It plans to ask the EU's financial watchdog, the European Securities and Market Authority (Esma), to analyse carbon market data every six months and present it in a way that is accessible to a general audience.

The European Parliament's lead lawmaker on reforming the EU's carbon market, MEP Peter Liese, shared the EC's view that the market needed to be more transparent, he told Montel in an interview.

Liese has proposed that the EC regularly assesses market speculation and manipulation as part of draft updates to the EU's ETS rules.

"I think the EC should do even more and come up with concrete measures to prevent market manipulation and make trading and speculations more transparent."

Carbon market participants must already report their daily trading positions to national financial authorities, which are then published weekly in aggregate by Esma.

Recent soaring carbon prices have led some observers to believe speculators and manipulation are distorting the market.

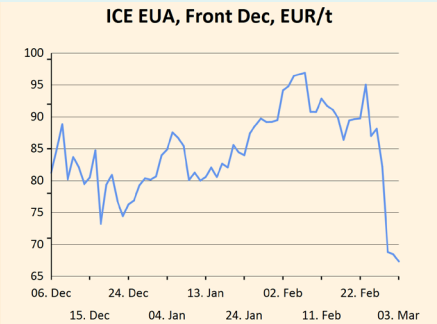
The benchmark Dec 22 EU allowance contract has hit highs above EUR 95/t this year, from trading in single digits a few years ago.

Esma found no evidence of manipulation in an initial report on the carbon market published in November, however.

A more detailed report is due by the end of March and the EC will use this to decide if further regulation is needed.

It also plans to organise a high-level event on carbon market oversight to discuss Esma's detailed report with regulators, stakeholders and academics this year and to make this a regular exercise. *SH*

Carbon



EEX EUA Auction Results & Calendar		
	This week's results	Next week's schedule
	EUR/t	Volume
Monday	80.92	2,449,000
Tuesday	79.96	2,449,000
Wednesday	Cancelled	2,658,000
Thursday	63.87	2,449,000
Friday	67.22	1,944,000

Nuclear investors urge Dutch to commit to new plants

Potential investors in new Dutch nuclear plants are calling on the government to prove it is serious about building two new nuclear stations and to give assurances that there will not be any energy policy U-turns.

The Netherlands has caught the nuclear industry's attention in recent months by announcing that it had earmarked EUR 5bn until 2030 for the development of two new nuclear plants as part of the country's ambition to be climate neutral by the middle of the century.

This budget could include financial state support, the December coalition agreement of the new government said, next to issuing tenders and facilitating scoping studies for prospective investors. As much as EUR 500m of this budget is available over the coming three years, but it remains unclear under which framework the Netherlands will forge ahead with building new nuclear stations.

"If their plans are to be taken seriously then they have to ramp up now very quickly," said Michiel Korthals Altes, project director at the ITER nuclear fusion project, and former member of the Horizon Nuclear Power team in the UK.

"As investors we need to see decisions embedded so deeply in the law that they cannot be changed like that. Alternatively, the financing has to be reinforced with such mechanisms that changing governments and elections would not endanger the economics of projects."

The Netherlands has made a series of energy policy U-turns in recent years that have spooked some investors. Last year it decided to limit the number of operating hours of coal-fired power plants on top of a decision in 2019 to phase out all coal-fired power plants by 2030. The latter has prompted lawsuits from power plant operators RWE and Uniper.

The Netherlands also announced in 2021 that it was ceasing subsidies for wood pellet biomass used for heating in a sudden change in policy against biomass which it had previously hailed as a sustainable alternative to burning fossil fuels.

Building new nuclear plants in the Netherlands will require foreign investments as the northwest European nation does not have its own nuclear technology provider. Domestic banks, inexperienced in funding nuclear energy, are also unlikely lenders to the projects despite the likely inclusion of nuclear in the EU taxonomy.

"If all investors are saying 'it's great that it's in the taxonomy' but all Dutch bank policies show reluctance regarding involvement in nuclear energy, there probably will be no Dutch bank financing new nuclear plants," said Daniël Poolen, senior energy transition specialist at Dutch Rabobank, whose own policy is to not fund nuclear energy.

The need to attract investors from abroad puts extra urgency on the government to outline a framework for its nuclear new build programme. The nuclear industry is urging the government to clarify its plans soonest in order to allow investors to test the business case for new nuclear stations. "It's up to the Netherlands to articulate a clear vision of what it is that they're looking for. If the government outlines very specifically 'here's what we're doing and here's what we want to end up with' then that's going to be a very convincing path for the industry to look at the Dutch programme very seriously," said George Borovas, head of nuclear at law firm Hunton Andrews Kurth.

The new government has clearly put emphasis on energy and tackling climate change with the appointment of a dedicated minister for climate and energy. The role has been filled by Rob Jetten, a member of the social liberal D66 party which was traditionally opposed to nuclear energy.

In a recent interview with Dutch daily NRC Handelsblad he admitted to being personally convinced of the benefits of complementing intermittent renewable energy with baseload nuclear power. "I hope that this cabinet term will clarify the conditions under which [nuclear] power stations can be built. There will be no shovels in the ground for the next three years, that's not realistic," he told the newspaper earlier this month.

Formulating a nuclear new build programme is unlikely at the top of Jetten's agenda as he is tasked with managing a EUR 35bn fund to spend on speeding up the energy transition. When asked for a comment, a spokesman for his ministry said it would take some time before the first details and options for new nuclear plants were worked out.

The Netherlands' sole nuclear power operator, EPZ, whose Borssele site in the southwest of the country is one of the only realistic locations for new plants, is optimistic that two new reactors can be operational by the mid-2030s. In late 2020 it began a search for partners to construct two 1,500-MW third-generation reactors.

"We are now talking to several industrial parties. The first signs are favourable," said an EPZ spokesman, who declined to comment on who the parties are. The nuclear operator, whose existing 485-MW Borssele nuclear reactor gained the new government's support for a second lifetime extension beyond 2033, has also called on the state to demonstrate its commitment to nuclear power.

"As a government, show active involvement. This can be done through participation or (price) guarantees," the spokesman said.

With half a century gone by since the Netherlands last built a nuclear power station, the domestic supply chain as well as the national regulator require modernisation to get up to speed with the latest standards.

"There's no question you need a lot of modernising to develop the newbuild programme but you have a lot of the groundwork: a regulator who knows what they're doing and the legislation is in place for the operations," Borovas said. *KS*

Berlin faces energy policy overhaul due to Russia rift

Russia's invasion of Ukraine has shattered German policy assumptions and forced a sweeping revision of parties' energy and security priorities, observers told Montel.

"German foreign and economic policy seems to change even more rapidly right now than it did after Fukushima," said Christoph Maurer, head of consultancy Consentec.

Vladimir Putin's decision to invade Ukraine last week has opened a rift with his country's biggest gas customer and unleashed the most sweeping changes in German party positions since Japan's 2011 nuclear disaster prompted a centre-right German government to reverse its energy policy.

Social Democrats have embraced expansively rearming, Greens have cleared LNG terminals and liberals have welcomed renewable energy while opposition conservatives have offered their support.

"Installing additional [renewable energy] capacity much faster than in the past might have become less controversial," Maurer said, highlighting a convergence in energy and security policies across the political spectrum at a special sitting of the Bundestag at the weekend.

Renewable energy liberated Germany from dependence on others, Christian Lindner, the head of the coalition's centre-right FDP, told parliament. The government should adapt its priorities to the solutions of the future, rather than the "answers of the past".

"Lindner's description of [renewable energy] as 'freedom energies' might indeed offer conservatives and right-of-center liberals a way to align [renewable] support with their general political preferences," said Maurer.

Germany has objected to neighbours' preference for nuclear power and aims to massively expand its rate of renewable energy installation, but it faces hurdles in planning obstacles and the reluctance of opponents.

"Germany might also develop more understanding for alternative approaches to manage the energy transition and become less convinced about its moral superiority."

Germany gets around 55% of its gas from Russia. While the fuel is mostly used in industry and heating, Berlin was counting on leaning on it as a bridge as it strives for a goal of securing 80% of its power with renewables by 2030.

Germany's climate goals for this decade were probably now out of reach, according to energy economist Uwe Leprich.

"The spectacular increase in the arms budget means that in future every euro spent on climate protection will be looked at twice," Leprich said.

"Secondly, it is to be feared that urgently needed new natural gas power plants to bridge the 'dunkelflauten' [dark lulls in wind] will now no longer be built and existing old coal-fired power plants will again be given a greater role in securing power supply."

Higher energy costs for longer – due to the jump in commodity prices – were additionally likely to weigh on consumers' ability to afford upgrading vehicles, heating systems and appliances, he added.

Others were more optimistic.

"The energy crisis is a wake-up call, but also an opportunity for a kind of 'Apollo program' for the energy transition," said Claudia Kemfert, head of energy at the German Institute for Economic Research.

"I'm quite confident there will be no long-lasting consequences," said Maurer, anticipating little "significant" power generation from coal beyond 2030, the new government's new exit target.

"But depending on the developments over the next weeks, short-term retirements might have to be postponed as a preventive measure and discussion about keeping coal-fired plants ready for operation in some kind of reserve might become more relevant."

Observers agreed Germany was likely to be able to get through the remaining winter, but a complete halt to Russian gas would pose severe problems further out, which could only be bridged with rationing.

"Cheap Russian pipeline gas was always the trump card in the renewable energy transition, and this trump card seems to be out of the game for now," said Leprich. *NW*

Germany to target CO2 neutrality in power by 2035

The German government aims to reach carbon neutrality in the country's power mix by 2035, effectively ending the use of natural gas in the sector by then, a ministry document showed.

"The new goal... is to nearly cover Germany's total electricity demand by renewables in 2035," said the document from the country's economic affairs and climate action ministry.

This marks an increase in ambition as economy minister Robert Habeck had previously said the country would replace fossil gas in the power mix from 2035.

However, the government in Berlin aims to reduce the country's dependency on fossil fuels due in part to Russia's invasion of Ukraine last week. Russia is Germany's main supplier for gas, coal and oil.

The ministry said it would aim to table a draft law for the government cabinet by 6 April, the document said.

The country aims for 200 GW of solar power installed by the end of 2030, up from almost 60 GW currently, roughly double current onshore wind capacity of more than 56 GW this decade and a four-fold rise of offshore wind capacity to 30 GW by 2030 and to 40 GW by 2035, the document said.

In addition to renewables, Germany aims to use green hydrogen – made with renewable electricity – to replace fossil fuels in the power mix. *AL*

EC plans gas buying move to fill storage

The European Commission plans a strategic joint gas buying pilot to fill storage ahead of next winter, according to a draft energy paper.

"In order to ensure continuous supplies and be better prepared for the next heating season, measures have to be put in place now," said the EC in the draft paper seen by Montel.

The aim is to ensure storage levels are high enough before winter 2022 to ensure steady supplies "even in adverse market conditions and irrespective of ownership," it said.

The paper was drafted as a follow up to the EC's "toolbox" of measures published last October to guide governments on how to respond to sustained high energy prices, and predates new concerns about gas supplies being disrupted by Russia's war with Ukraine.

"The currently high prices for gas are partially influenced by the depletion of gas storage, to levels that are much lower than in previous years in spite of the mild winter," said the EC in the draft paper.

Last month the EC carried out an EU-wide risk analysis of the gas system's ability to cope with "challenging" supply scenarios, and concluded that paying attention to refilling storage by next winter was particularly important.

In December it had proposed allowing national governments to pool their resources to negotiate buying gas for emergency storage as part of draft updated EU gas supply security rules.

The EU developed and agreed its original gas supply security rules after imports from Russia via Ukraine were interrupted unexpectedly in 2009, leaving households and business in parts of the EU without access to gas.

The EC also plans to propose requiring specific minimum gas storage levels to be achieved by 30 September each year, it said in the draft paper, which could change before publication.

Several EU countries have national mandates on this, and the EC was looking to see if an EU mandate was needed, said EU energy commissioner Kadri Simson on 21 February.

The draft paper also urges national governments to ensure national and regional gas storage levels are high enough at the start of the winter heating season.

It said the EC would give detailed guidance by the summer on targeted regional storage levels, storage financing schemes, and efficient, fair cost allocation.

It also noted that national governments can give companies financial support under EU state aid rules to encourage filling gas storage.

This could be done through two-way contracts for difference, which could be awarded without a competitive bidding process, given the need to act urgently.

National governments would have to ensure such aid did not strengthen incumbents or overcompensate the beneficiaries.

This could include ensuring non-discriminatory access to storage and preventing excessive capacity pricing.

Aid beneficiaries could also be obliged to gradually release gas over the winter, said the EC. *SH*

Germany expedites Wilhelmshaven H2 import plans

Germany has expedited plans to develop a dual-use LNG and hydrogen import terminal at Wilhelmshaven, the company developing the hydrogen component said.

Tree Energy Solutions (TES), which is backed by Belgian private investment company AtlasInvest, is targeting an operational launch of winter 2025 for imports of hydrogen produced with renewable energy in countries with abundant solar and wind potential, it said in a statement.

This was at least two years earlier than originally planned, spokeswoman Kristiana Gjinaj told Montel.

"We planned at the beginning to start in 2027, but since the current crisis – and how the security of energy supply is affected in Europe, and also due to the latest German announcement – we can fast track it."

Germany this week flagged plans to bring an LNG terminal online at Wilhelmshaven as early as 2024 to cut dependence on Russian gas following the country's invasion of Ukraine. The Wilhelmshaven site is intended to import only hydrogen by 2045.

The site would initially target green hydrogen imports of 25 TWh per year and local hydrogen production of half a million tonnes with the goal of increasing this supply 10-fold by its final stage, according to TES.

Germany intends to decarbonise its power system by 2035 and its entire energy system within another 10 years of that, a goal that has won wider political backing in parliament since the start of Russia's invasion due to the implied shift away from a dependence on fossil fuel imports.

Germany gets more than half its gas and hard coal imports from Russia. *NW*

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