

Local heating and cooling planning in the Gas Package

Support amendments 52a and 52b, revision of the Gas Directive

Dear Energy Attachés,

We are an alliance of local authorities and civil society groups calling for a framework to ensure gas Distribution System Operators (DSOs) are better prepared for the shift to renewable energies in the heat sector.

The decarbonisation of the energy system (mainly via electrification and the development of heating and cooling networks powered by renewables) and the energy saving measures needed to meet the EU's climate goals have major implications for gas DSOs and their customers.

The goals of reducing dependency on gas imports – in particular Russian supply – and tackling the fossil energy price crisis also have a substantial impact on gas DSOs' future business model.

A large part of fossil gas distribution systems needs to be decommissioned to make way for predominantly electrified networks, leaving only smaller gas distribution grids providing fully renewable hydrogen or low levels of sustainable biomethane to those few remaining hard-to-electrify sectors. Leaving this transition unmanaged will result in comparatively higher energy system costs and abrupt tariff impacts.

In this new reality, gas DSOs will no longer be able to rely on network tariffs or fossil gas sales for revenue streams to sustain the current gas infrastructures, unless they significantly increase their tariffs. This would hit most dramatically the households unable to unplug, i.e. the low-income households who cannot invest in alternative clean heat supply.

The ongoing revision of the Gas Directive – a part of the Hydrogen and Decarbonised Gas Market Package ('Gas Package') – provides a timely opportunity to ensure local authorities, gas DSOs and their customers have the regulatory tools needed to begin planning for a sustainable, renewables-based future energy system.

This will also ensure that related investment needs at DSO level obtain more visibility than they do today, including for the upcoming multiannual financial framework (MFF) review in mid-2023.

As such, we are calling on Member States to integrate the European Parliament's work into their General Approach and support **amendments 52a and 52b of the recast Gas Directive**, tabled by a cross-party alliance in ITRE.

These require gas DSOs and government authorities to prepare local heating and cooling plans in line with national and EU climate and energy goals, with meaningful transparency and the participation of consumers.

Having a framework for effective local planning will also reduce the risk of consumers shouldering the cost of unnecessary network maintenance or stranded investments.

We believe these changes to the Gas Directive will ensure that DSOs and local authorities are better prepared for these emerging realities, and we remain available should you be interested to discuss these issues more in depth.

Yours Sincerely,

