



# Methodology for assessing the gas candidate PCI projects

## 1. Principles

The main aim of the methodology is the appropriate evaluation of costs and benefits and other impacts of gas PCI candidates. In light of this, we want to first and foremost remind of our position that no fossil fuel infrastructure project should be included on the 5<sup>th</sup> PCI list due to severe sustainability and climate concerns, coupled with observed development on gas demand in Europe, the risk of creating stranded assets, underestimation of methane leakage and emissions as well as a host of negative impacts on health, social stability, environment etc. in the fossil gas supply countries.

We welcome that within the ENTSO-G scenarios the one with the lowest gas demand has been chosen, nevertheless find it problematic that this scenario is not aligned as the EU Commission's latest own scenario.

We also welcome that gas projects that will have been constructed by March 2022 as well as such that haven't shown progress since their last inclusion on the list should not become part of the 5<sup>th</sup> PCI list. Particularly given that the PCI process is about awarding a top-priority label to fossil fuel projects – and delays heighten the risk that the project ends up as a stranded asset, no justifications should be acceptable as a reason to include a project nevertheless.

We are supportive of the alignment of the PCI assessment with the EU 2030 targets and want to highlight the position that a stringent alignment with this ambitious target urgently needs to translate into an exclusion of all fossil fuel projects from the 5<sup>th</sup> PCI list. Furthermore, we strongly recommend to additionally consider the EU 2050 targets, given that gas infrastructure lasts for several decades and entails costs not only during its construction but also throughout the time of its use – costs that risk aggravating energy poverty in Europe as they are ultimately borne by the consumers. The term of projects of “common interest” therefore must prioritize long-term climate considerations, energy consumers and affected communities as well as, just like at the level of the needs assessment, the direct and sole response to a crucial need.

FWAE welcomes in general that, once again, the lack of coherent information by the project promoter may have a negative impact on the project assessment. We want to remind of repeated issues about the providing of coherent, up-to-date and transparent information, an issue that the EU Commission also touched upon during the latest PCI meetings (22-23 April

2021) with confusion around commissioning dates, change of OPEX or/and CAPEX not reflected in the slides etc. Quality of information by project promoters has been an issue for years and affected also the possibility of independent actors to assess projects appropriately. We call on the EU Commission to apply strict measures to remedy this recurring issue.

## **2. Candidate PCIs assessment and ranking**

We condemn once again that the projects ranking, based on the PCI process, is not open to the public, nor can the public assess a potential disregard of such a ranking by the decision-making body. We want to remind once again that these projects should serve the European and European citizens' common interest and we urge the EU Commission to ensure highest possible transparency, which includes a publication of the ranking or a justification how the years-long PCI process finally led to the inclusion of specific projects on the list.

## **3. EU Green Deal Alignment and sustainability**

Following up to the comments by FWAE already criticizing the full exclusion of the sustainability impact/needs in the needs assessment methodology, FWAE condemns the incomplete, blurred and weak sustainability criterion as suggested in the project assessment methodology.

Although the current TEN-E regulation stipulates that sustainability be only an optional criterion for the inclusion of fossil gas projects on the Union list, it is unacceptable that after promises by the EU Commission to EU-Green-Deal proof the list already for the past Union list (e.g. EU Commissioner Frans Timmermans) as well as improvements signaled to the EU Ombudsman in response to her inquiry in case 1991/2019/KR sustainability is still optional. This, in our view, renders completely useless any attempts to assess sustainability of the PCI list. If a fully operational, ambitious sustainability criteria are merely optional and can be chosen not to influence any of the gas PCIs, this exercise is in vain and it would be highly incorrect of labeling the PCI process as EU-Green-Deal-aligned. It is unacceptable that an EU Commission-led process like the PCI process contradicts the overall aims of its own institution and the other EU institutions as well.

We therefore urge the EU Commission to make compliance with sustainability criteria a binding, overarching principle that cannot simply be ignored. The EU Green Deal, in place since long before the 5<sup>th</sup> PCI list process started, as well as the Paris Agreement goal that the EU agreed and more ambitious 2030 targets, should be considered as a background allowing for, or rather requesting that all potential top-EU-priority fossil fuel infrastructure projects be assessed thoroughly regarding the sustainability criterion.

Beyond the lack of a compulsory sustainability assessment, we identified further shortcomings in the proposed sustainability criterion:

Despite recommendations by Artelys through the study commissioned by the EU Commission on **improving the sustainability criterion in the PCI process**, we consider that crucial elements of these recommendations have been ignored or only been taken up insufficiently.

The table on the final allocation of points in the assessment methodology draft once again presents a barely operational sustainability criterion: There is no threshold (e.g., based on an ambitious percentage of greenhouse gas emission reductions relative to a specified fossil fuel comparator as proposed in the TEN-E revision proposal in the electrolyzer category) to assess CO<sub>2</sub> emission, the draft methodology only mentions “CO<sub>2</sub> impact”. We consider it highly problematic, particularly against the backdrop of the climate emergency, to measure once again fossil gas projects on the level of fuel switch they are enabling. This only considers the switch from more polluting fuels to only insignificantly less (or in some cases even more) polluting fossil gas. Investing in a switch to a fuel with e.g. 10% less overall greenhouse gases with costly infrastructure with a lifetime of 40 years or more does not contribute to the ambitious emission reductions we need particularly in the energy sector and rather risk blocking real solutions. We ask you to use highest caution in the calculation of CO<sub>2</sub> impact of gas PCIs and dismiss the ENTSO-G approach of allocating a positive CO<sub>2</sub> impact to each and every one of the PCU candidates as it happened in the past. Instead, CO<sub>2</sub> and other greenhouse gas emissions need to be assessed along the life cycle of the fuel that the proposed infrastructure transports and not compared to the dirtiest alternatives but rather proven, market-ready solutions at scale that already exist and have a much lower climate impact.

We are very disappointed that once again the draft methodology does not take into account **methane leakage**, but rather proposes a collection on methane emission data by the project promoters (please note that independent (e.g., satellite or scientific) data is to be prioritized as relying on industry self-reporting with undeniable conflict of interest is insufficient and might be highly misleading). This means methane emissions, a crucial problem significantly linked to any hope for emission reduction through fossil gas, would once again not have any impact on project collection.

With regards to the principle to “do no harm” and with rapidly increasing amount of evidence that methane emissions are not only occurring all along the life cycle of gas but also have been seriously underestimated in the past, we ask you to apply highest caution in the support for any fossil gas project and to at least apply, based on scientific, peer-reviewed data on methane emissions already existing, a provisional estimate of methane emissions along the supply chain, calculated with the assumption of gas flows expected for the infrastructure project. There is no doubt about methane leakage being intrinsically linked with the extraction, transport and use of gas, while there is doubt about the exact amount this leakage and the emissions amounting to.

Besides the general pillar of sustainability, which is one of the 4 pillars of the TEN-E, the project methodology also **considers sustainability as one of 8 benefit categories**, and again optional as only “one or more of these benefits are to be considered for this PCI assessment phase”. Once more, and with a view on risking to waste EU public money and EU support on stranded assets and/or projects blocking progress to combat climate change while channeling scarce funds away from climate-friendlier solutions, we urge you to consider sustainability as a required benefit and exclude projects that do not show a clear sustainability benefit from the 5<sup>th</sup> PCI list.

*Given we do not find the sustainability criterion to be sufficiently defined and included in the PCI process, we once again submit our comments concerning the sustainability criterion as submitted in February 2021:*

The EU Commission's LTS storylines look at reductions of fossil gas from 60% - 90% until 2050<sup>1</sup>, this should be at the very least a base criterion already applied at the needs assessment stage. Even with conservative assumptions, there are existing targets that can be included into a first sustainability assessment and would greatly improve the compared to a process in which sustainability is not considered at all at this stage.

Sustainability has been gravely neglected since 2013, so it is crucial to keep word now and implement the EU green deal proofing throughout the process! As the proposal stands now, a bad impression is given as it looks like the strategy of pushing the sustainability criterion out of the process is set to continue. This basically happened during the last PCI processes, a decision that has been criticised by various NGOs and even the EU Ombudsman. The Ombudsman decision found that in the past, gas projects have been included on previous PCI lists without a proper assessment of their sustainability.<sup>2</sup> We welcome, that the EU Commission tasked Artelys with an analysis of the sustainability assessment carried out by ENTSO-G, and the findings are more than worrying. It is high time to change this and not opt for further delays on dealing with sustainability. As indicated in the study<sup>3</sup>, it is crucial to move away from an approach that measures an automatic contribution to greenhouse gas emission savings by all fossil gas projects. The methodology should clearly explain from the very start and in a transparent manner how all along the process the recommendations of the Artelys study are being taken on board.

In an EU Green Deal-compatible PCI process, it is highly inappropriate to measure the emission-related impact of gas PCIs against the most polluting alternatives, and to exclude methane emissions. More and more evidence is being published, indicating that supporting gas infrastructure means facilitating the expansion of a fossil fuel that is problematic and in many cases even worse than other fossil fuels.<sup>4</sup> The needs methodology has to put these considerations at centre stage in order to avoid supporting potentially failed projects that endanger the EU's alignment with the 1.5 degree target.

This includes, but not exhaustively so, providing a realistic assumption of greenhouse gas emissions related directly and indirectly to infrastructure (i.e. mid-stream emissions, but also up- and down-stream emissions). The assumption should not only focus on CO<sub>2</sub>, but very importantly also methane emissions associated to fossil gas, which occur throughout the life cycle of gas. Knowledge around methane emissions is growing fast, and there are more and more discoveries of underestimation of these emissions and their importantly harmful role in global warming. Therefore, we recommend to consider at least a representative average of supply chain methane emissions based both on a compilation of estimations<sup>5</sup> as well as – where already existing – appropriate measurements. This average should take into account flexibility for improvements in measurements of methane emissions from fossil gas and a 20 years' timeline which result in a global warming potential of 86 compared to CO.

#### **4. Assessment of the candidate projects**

---

<sup>1</sup> [https://ec.europa.eu/clima/sites/clima/files/docs/pages/com\\_2018\\_733\\_analysis\\_in\\_support\\_en\\_0.pdf](https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_analysis_in_support_en_0.pdf) p. 85

<sup>2</sup> <https://www.ombudsman.europa.eu/en/decision/en/135095>

<sup>3</sup> <https://www.artelys.com/wp-content/uploads/2020/11/Measuring-the-contribution-of-gas-infrastructure-projects-to-sustainability-as-defined-in-the-TEN-E-regulation.pdf>

<sup>4</sup> <https://energywatchgroup.org/natural-gas-makes-no-contribution-to-climate-protection>

<sup>5</sup> See eg.

[https://www.researchgate.net/publication/308940027\\_The\\_Natural\\_Gas\\_Supply\\_Chain\\_The\\_Importance\\_of\\_Methane\\_and\\_Carbon\\_Dioxide\\_Emissions](https://www.researchgate.net/publication/308940027_The_Natural_Gas_Supply_Chain_The_Importance_of_Methane_and_Carbon_Dioxide_Emissions)

Concerning the **assessment of benefits of candidate PCIs**, we welcome the EU Commission's approach to require a confirmed gas supply source as well as the mention of taking into account existing gas infrastructure. We would recommend to provide further details on how these two requirements exactly need to be met and which evidence is used/required to confirm a gas supply source and that no other existing piece of infrastructure (in that member state or another one) can fulfil a need.

An option recommended in the Artelys study on the sustainability criteria was assessing actual expected/needed gas flows besides only looking at actual capacities. FWAE recommends more clarity on how exactly the flow-approach will be operationalized and how it will play into the PCI selection process.

Concerning the **assessment of curtailed demand (CD)** FWAE wants to highlight criticism voiced about ENTSO-G's definition of gas demand peak in all member states all at the same time, which is close to impossible in reality. The draft methodology does not specify which assumptions peak demand are based on, but in the past ENTSO-G based peak demand on gas demand peaking in each and every EU member state at the same time. This is not only extremely unrealistic/outright impossible, but also would lead to an unrealistically high need for gas infrastructure. We ask you to – and this applies to all other assumptions taken by ENTSO-G for that matter, as they represent the fossil gas transport industry and most project promoters with a clear conflict of interest – question this important assumption and be transparent about the final assumptions consulted during project assessment.

Concerning the assumed benefit that **access to a new source** brings in terms of EU energy security, market integration, sustainability and competition, we want to underline the fact that supporting the expansion of gas extraction, and opening up of new markets for gas suppliers (with considerable criticism around human rights, unstable democracies, repression etc.) like Azerbaijan or the countries involved in drilling gas in the Eastern Mediterranean) in 2021 and beyond is a blatantly countering the aim of reaching greenhouse gas emission reductions and leading the fight of climate change.

Regarding LNG PCI candidates or other infrastructure linked to LNG terminals, we want to once again highlight that it is unacceptable to count **LNG as a single supply source** (see our contribution to the needs assessment February 2021).

In general, we recommend the project assessment methodology to be greatly improved in terms of clarity, transparent explanations and more details for the different benefits accounted for and the thresholds chosen (particularly concerning the sustainability aspects).

Above all, any methodology sidelining a proper, transparent, ambitious sustainability assessment overarching and applicable to each project as a base for exclusion or inclusion on the PCI list cannot be accepted as credible and aligned with existing EU laws on climate. **Each and every PCI must undergo a credible, detailed sustainability assessment.**