

NZIA ITRE Rapporteurs and Shadows

Dr. Christian Ehler
Ms. Tsvetelina Penkova
Mr. Christophe Grudler
Mr. Damien Carême
Mr. Evžen Tošenovský

Rapporteurs for opinion

Mr. Tiemo Wölken – ENVI Committee
Mr. Tom Vandenkendelaere – IMCO Committee
Ms. Inma Rodríguez-Piñero – INTA Committee

Amsterdam, 17 November 2023

EFET letter on placing an obligation on gas suppliers to contribute towards the EU CO2 storage injection target under the Net-Zero Industry Act (NZIA)

Dear Dr. Ehler,
Dear Rapporteurs,
Dear Shadow Rapporteurs,

The European Federation of Energy Traders (EFET¹) would like to express our concerns regarding the extension to gas sellers of the scope of article 18 (*previously titled: Contribution of authorized oil and gas producers*) of the Net-Zero Industry Act (NZIA), as recently amended by the ITRE Committee² to serve as the negotiating mandate of the European Parliament in the inter-institutional (trialogue negotiations). We believe that the revision contains terms that, without clarification, are inoperable or have serious negative consequences.

We note that the preliminary EU Commission proposal under Chapter III NZIA introduced an annual CO2 injection capacity target of at least 50Mt by 2030, linked to a contribution by authorised oil and gas producers. We further note with concern the subsequent proposed extension of this provision in the ITRE compromise amendments across the supply chain, i.e., beyond producers, to sellers of gas, petroleum and crude oil in Europe. We ultimately note the tight time horizon for implementation of this obligation, given its retrospective

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. 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. EFET currently represents more than 140 energy trading companies, active in over 27 European countries. For more information: www.efet.org

² [Consolidated Compromise Amendment on Net Zero Industry Act \(tabled by EPP, S&D and RE\)](#)

calculation based on the gas supplied by the obligated entities to the European market over the last three years – the three years ending on 31 December 2023.

We note below some significant deficiencies with the proposed EP wording:

- 1. The definition of “supply” is not straightforward.** The Gas Directive defines “supply” to include sale and resale of gas to wholesale or final consumers³. Products such as crude oil and natural gas are typically traded multiple times before reaching the end-consumer. In 2022, the churn rate at TTF, Europe’s most liquid hub was 63⁴, representing the number of times gas was resold (i.e. “supplied”) before it was consumed. An obligation for each transaction to include a share of the CO2 injection capacity target would quickly become inoperable. A considerable number of suppliers – including traders with no access to physical production or supply to end-consumers - would be impacted by this obligation. The lack of clarity in terms of definitions and implementation creates an unwelcome regulatory risk.
- 2. The proposal may put at risk broader market liquidity.** To avoid the obligation or potential penalisation linked to non-compliance, affected entities would reduce trading activities. At the same time, when priced into wholesale trades, it will widen the bid-offer spread. These will increase costs and reduce liquidity, compromising the efficiency of markets to manage risk.

EFET considers CCUS as a key enabler for a cost-efficient and just transition to net-zero, provided it remains open to the full breadth of all technology- and nature-based solutions⁵. Given the broad phrasing introduced by the EP, extending the scope of the obligation would cover our member companies’ gas selling/trading activities. This extended scope lacks proper definitions and methodologies.

We hence urgently call on the European Parliament to withdraw or reject the referenced compromise amendment to NZIA as part of its official position in the triilogue discussions.

We remain at your disposal to discuss further during the inter-institutional negotiations.

³ [Directive 2009/73/EC concerning common rules for the internal market in natural gas](#), Article 2 (7) and (24)

⁴ [European Traded Gas Hubs; their continued relevance](#), (Oxford Institute for Energy Studies), June 2023

⁵ [EFET response to the EU Commission CCUS Strategy proposal](#)