

## Discussion paper - Core team GAC WS2

*This discussion paper aims to map out the proposed way forward for WS2 of the GAC taken into account evolving developments. In this way it may act as an informal updated ‘charter’ for GAC WS2. The discussion paper has been written by Wim Groenendijk and Andrey Konoplyanik, Co-Chairs of GAC WS2<sup>1</sup>, with input from an ad-hoc ‘core team’ of senior energy specialists, convened specifically for the purpose of providing advice. The ‘core team’, which has now been dissolved, was composed of the following persons, and has been transparent on the results of its meetings. We would like to thank ‘core team’ members for their valuable input.*

### CORE TEAM PARTICIPANTS

Name	Organization
Borchardt, Klaus-Dieter	European Commission
Chatzimarkakis, Jorgo	Hydrogen Europe
Groenendijk, Wim	Co-chair GAC WS2
Kamphues, Stephan	ENTSOG
Khandoga, Dmitry	Gazprom
Konoplyanik, Andrey	Co-chair GAC WS2
Krutko, Andrey	Gazprom export
Linke, Gerald	DVGW/Marcogaz
Mitrova, Tatiana	Skolkovo/Novatek
Romanov, Konstantin	Gazprom
Shtilkind, Theodor	RF Ministry of Energy
Stern, Jonathan	OIES
Thery, Laurent	ENGIE Infrastructures
Yanovsky, Anatoly	RF Ministry of Energy

### Our current situation – where are we today

The EU-Russia Gas Advisory Council (GAC) was established as part of the EU-Russia Energy Dialogue by Article 2 of the Joint Statement between the Russian Government and the European Commission signed on 24 February 2011. Its aim was to assess the development of gas markets in the EU and the Russian Federation and to develop assessments of natural gas demand and supply prospects in the European markets as well as of production, transmission and demand prospects in the Russian market, and also to consider regulatory issues in gas that influence energy relations between the two parties. The GAC, comprised of experts presented in their personal capacity, used to make recommendations on the long-term EU-Russia gas cooperation in a sustainable, competitive and secure way.

The plenary GAC was discontinued in 2014 (as well as the broader Energy Dialogue) given political developments at that time. However, its workstream on “internal markets” (Workstream 2 or WS2) remained active and both sides continue to see value and importance in continuing the discussions in WS2 and keep at least one technical energy forum between the EU and the Russian Federation active (see for example Russian Ministry of Energy at its website<sup>2</sup> or the EU Commission at its website<sup>3</sup>). It is

---

<sup>1</sup> the content of this paper does not represent the official position of the EU or of the Russian Federation and is of personal responsibility of the WS2 co-chairs

<sup>2</sup> <https://minenergo.gov.ru/node/14646> (last reference 03/10/2020)

<sup>3</sup> [https://ec.europa.eu/energy/topics/international-cooperation/key-partner-countries-and-regions/russia\\_en](https://ec.europa.eu/energy/topics/international-cooperation/key-partner-countries-and-regions/russia_en) (last reference 03/10/2020)

worth noting that GAC WS2 de-facto started already in 2010 as a series of informal consultations on regulatory issues between energy experts from both sides.

In the past, discussions in WS2 have been valuable in many areas, not least around the introduction of the Third EU Energy Package which created the new architecture of the EU internal gas markets. The related consequences for investments and trade, especially for Russian pipeline gas in the EU and the new dimension of energy security, served as fertile ground for discussions and increased mutual understanding on both sides.

On top of the more traditional natural gas agenda the discussions in WS2 since 2018 have in particular evolved around EU decarbonization objectives and how Russia and Russian gas can participate in this in a mutually effective way.

The current COVID-19 pandemic has radically influenced international energy markets, including global and EU regional gas demand (with the latter as the key export market for Russian gas). It is expected, and we refer, as an example, to statements by Commission's executive vice-president in charge of the European Green Deal Frans Timmermans, that the economic post-COVID recovery will be based, at least within the EU, on an even stronger decarbonization agenda. The past experience within WS2 of collaboration within a sensitive agenda should enable both parties to successfully continue informal discussions on these topics.

The shared opinion is that:

1. Based on the history of successful cooperation within WS2, we are in principle well positioned to address also the new and evolving topics on top of the existing ones.
2. At this moment in time, this is one of the few, if not the only, places where these issues can be addressed in this composition.
3. Continuation of the informal professional energy dialogue in GAC WS2 is important as both sides have a close relationship with respect to energy, specifically gas.

### Our dilemma's - what are we facing

The current challenging political situation is a fact and must in the context of WS2 be treated as a given. Geopolitical trends point toward more polarization, more inward focus and a less global outreach and perspective. This implies that the current political environment, including the current state of affairs in the political relationship between the European Union and the Russian Federation, may not be expected to drastically improve any time soon. In that context, the activities and work of GAC WS2 should not become an advertised public issue as this could create difficulties to continue the collaboration, though it should also be avoided that WS2 be considered as a secretive undertaking. Reasonable information may therefore continue to be presented in the public domain. An open-minded approach for the EU-Russia collaboration will help find creative ideas to improve the relationship and move forward.

Energy and climate policies are evolving under pressure from international communities, NGOs and the public. Whereas global climate accords have been discussed and agreed, different regions in the world are in different stages of development and move at different speeds.

The recovery following the COVID-19 pandemic most likely will further accelerate the EU-drive towards decarbonization. Whereas natural gas is expected to remain an important part of the EU's energy mix for the next few decades (both pipeline gas and LNG), increasingly decarbonized gases and new gases will also enter into the mix. Also, the integration of energy systems, in particular between the gas and power infrastructure will gain in importance. Finally, there will be increased attention for the

environmental parameters of the fuels and energies (including renewable) being used – and not only in the end-use per se, but through the entire value chain, including equipment used in the energy production – amongst which methane emissions associated with natural gas throughout its entire value chain as one of the key issues. Methane standards for imports and domestic production, both pipeline gas and LNG, should be discussed and agreed verification and monitoring methodologies will be essential.

Whereas issues related to natural gas remain of great importance (both for pipeline gas and LNG), decarbonization (especially decarbonization of the EU and export-oriented decarbonization of Russian gas) puts these issues in a different light and creates not only new risks and new challenges, but also opportunities for both sides. For example, parties historically have been closely interconnected with each other by an immobile capital-intensive cross-border energy infrastructure which is a material “common denominator” in gas relations between Russia and the EU and both parties are mutually interested in ensuring that this infrastructure remains of value and relevance in the future.

To manage these risks and capture potential opportunities resulting from these developments, it is imperative that ideas and information are exchanged between the two sides and GAC WS2 is considered the appropriate forum for this. Therefore, an evolutionary reframing of GAC WS2, both in terms of topics and participants, is deemed necessary.

To support a constructive and meaningful discussion within GAC WS2, it is important to ensure that the key people are at the table, while ensuring an open and informal character of the meetings. The Co-Chairs have reviewed the list of participants to the Workstream. The criteria used as guiding principles for selection of participants were as follows: 1) affinity and involvement with the new topics under discussion, preferably in the context of international cooperation, 2) diversity in background with a balanced distribution among industry, government and academia, and 3) diversity with respect to geographic areas. As we move forward, the new topics on the agenda of discussions will continue to lead to implicit updates of the participation in the GAC WS2. We invite GAC WS2 members to make their suggestions to the Co-chairs on potential additional new members that may bring new perspectives based on these criteria.

The shared opinion is that:

4. We must continue to work and find our ‘modus operandi’ within the current challenging political environment.
5. Energy and climate policies are evolving rapidly towards decarbonisation, in particular within the EU. It is necessary that both sides discuss the risks, challenges and opportunities associated with these in addition to the more traditional gas agenda.
6. GAC WS2 is adapting to the introduction of new and evolving topics in the energy relations between EU and RF.
7. The agenda, participants list and presentations may be made available at a publicly available web site if either side wishes to do so. The results of the WS2 meetings, being of mostly technical nature, should in principle not be made available to a broader public. However, if there are any steps or exchanges of practical nature which representatives of one or both parties consider to be made available to a broader public (e.g. in the field of pyrolysis or digitalization), they could be separately published under the umbrella of a relevant institution and not necessarily under the overall WS2 umbrella.
8. A joint narrative of the WS2 main agenda and purpose should be developed to be used in case participants are approached by any third parties (e.g. journalists). This could help avoid any misinterpretation of the goals that WS2 is pursuing and its scope.

## Our future - how could we move forward

Natural gas (including of Russian origin) is expected to remain an important part of the EU's energy mix over the next few decades. The EU is an important market for Russian gas and there is a significant infrastructure with substantial value connecting the two sides. It is therefore important to continue to discuss any issues that may come up with respect to natural gas, gas markets and infrastructure within the realms of WS2. The current set-up and charter of WS2 remains appropriate and well-suited to discuss these issues.

This is less so for topics related to decarbonization and integration of energy systems. Meaningful discussion will require a (much) more diverse participation.

Choices will furthermore need to be made as to which topics to address and which not. Starting point should be a review of areas which are of mutual interest in the context of decarbonization and energy system integration and where it would add value to discuss the challenges, risks and opportunities associated with these. Part of this will be to develop a mutual understanding of what we would like to jointly achieve and what is realistic to achieve in this setting. This includes development of a programme of discussions in WS2.

In general, the remit of GAC WS2 may not extend to development of policy within EU or RF (which is the level of still suspended GAC itself) but rather is restricted to discussion of effective strategies and technical backgrounds which they can be laid upon, with respect to any issues, risks or opportunities, and to issues related to the implementation of set policies and to testing proposals for practical avenues of technical cooperation in the particular areas.

In searching for the common interest it appears that at this point in time, primarily:

- the EU strives to effectively decarbonise its economy, including in gas, in an affordable, secure and acceptable manner with the achievement of climate neutrality in 2050 as an ultimate goal;
- the RF strives to manage to monetise its vast (natural) gas resources; and to develop innovative technologies to make its vast natural resources still competitive within the general trend for low-carbon development, thus to shift from resource-based to resource-innovative paradigm of its development based on energy efficiency and low-carbon energy technologies; though due to objective reasons RF might first (prefer to) concentrate of export-oriented decarbonisation of its gas supplies to the EU;
- both parties could benefit by further monetising their existing common cross-border gas infrastructure and from cooperation in structural and technological gas decarbonisation.

Potential areas of discussion (with the aim to transfer them into areas of cooperation):

- Natural gas issues relevant in the context of the EU-RF relation:  
*In the short- to medium-term, issues around natural gas, gas markets and gas infrastructure that are relevant in the context of the EU-RF relations should continue to be included as part of the discussions in WS2. In this context the importance of imports of natural gas from Russia to the EU are acknowledged as well as the fact that natural gas can still contribute to CO2 emissions reductions (as a means of structural decarbonisation) both in the existing and in prospective new areas of its consumption.*
- Energy policy development in EU and RF:  
*Policy in the EU provides that natural gas will be step by step replaced by low-carbon and renewable hydrogen, or in some sectors by direct electrification. The proposed EU Strategies on Energy System Integration and Hydrogen should be discussed as to how these will impact*

*on the future energy relationship between EU and RF. The question is how Russia as a key gas exporter to the EU can continue this relationship as an important supplier to the EU of energy with the increasingly decarbonized end-use result under the changing energy and climate agenda in the EU and globally. Russia needs to determine its proper role in the European energy transition which means, inter alia, the decarbonisation options of Russian gas exports to the EU and collaborative undertakings for best effective use of (Russian import) gas for EU decarbonisation purposes.*

- *Low-carbon gas-based technologies:  
Low-carbon technologies, including CCS, and clean hydrogen from natural gas. Mutually beneficial production avenues and market potential for an export-oriented Russia-EU decarbonised gas value chain. In this context there is a feeling that pyrolysis and similar technologies of clean hydrogen production from natural gas are underrepresented in the Commission's hydrogen strategy.*
- *Renewable gases:  
Renewables, including hydrogen, biogas, syngas. Production and market potential, infrastructure. In addition to the (internal EU) 'Clean-H2'-alliance established under the Commission's hydrogen strategy, to consider creation of a Russia-EU "Clean-H2-from-natural-gas' alliance". Integration between gaseous- and electron-based technologies and markets, including 'power-to-gas'. Hydrogen/low-carbon gases taxonomy.*
- *Regulatory framework for 'new gases':  
Certification and trading schemes for recognition, exchange and valorization of low-carbon fuels between EU-RF. Guarantees of origins. Terminology and methodology, potential cross-border contractual consequences of downstream production of clean gas-based hydrogen (close to end-use in the EU).*
- *Methane emissions:  
Agreed standards, calculation methodologies, certification and monitoring schemes for methane emissions. EU's Methane Emissions Strategy will set an EU-wide framework with implications for gas entering into the EU either as pipeline gas or LNG. How and whether it*

Shared opinion is that:

9. We need to further explore how, and in which stages of policy development/consultations/implementation, GAC WS2 can contribute most effectively. For this we need to focus on the areas of common interest.
10. We will need to be selective about which topics to discuss and this should be based on an analysis of where these discussions could add most value. The topics selected will also define the participants in the meetings. We need to ensure that we continue to have the right mix of people with the right expertise around the table from both sides.
11. An important objective of GAC WS2 will be to develop avenues of mutually beneficial Russia-EU cooperation in traditional gas issues and in gas decarbonisation issues that may lead each party to achieve its objectives, the EU with respect to its decarbonization objectives and the Russian Federation with regard to preserving the value and monetisation of Russian gas resources. The latter could include the development of additional energy export opportunities to the EU for decarbonisation purposes, and to open (preferably on the joint Russia-EU cooperative basis to maximise synergy effects) new economic opportunities through the energy-based technological breakthroughs at the low-carbon and energy efficient path. Everything on the understanding that all these avenues should lead to increase of welfare of both European and Russian citizens.

*will correlate with corresponding Russian approaches (methodologies et al) and in case of differences how best to balance them on a mutually appropriate basis.*