Detailed assessment

Activity	Text	Assessment
General principles (Section 1.B)		**(-) The exemptions should explicitly recognise energy-supply disruptions, critical energy infrastructure resilience, diversification of supply routes and the preservation of strategic energy production capacities. Clear, streamlined conditions should enable their application where DNSH requirements would impede investments necessary to safeguard security of energy supply.**
1) The mining, extraction or production of fossil fuels and the transport, transmission, distribution and storage of fossil fuels to be carved out:	a) the decommissioning of fossil fuel infrastructure and rehabilitation of sites, where the competent national authority has confirmed that either: i) no entity or undertaking has been identified as legally required to conduct the decommissioning and rehabilitation under applicable EU and national law, or ii) that the identified polluter cannot be held legally liable for financing the decommissioning and rehabilitation;	(-) While Art. 57 of Directive (EU) 2024/1788 requires DSOs to assess future network needs, including the evolution of biomethane production, injection and supply (Art.57(2)(b)), before considering decommissioning measures, the MFF proposal focuses on the financing of decommissioning activities. As a result, the current wording risks promoting the premature removal of natural gas infrastructure where conditions (i) or (ii) are met, without adequately recognising its transitional role in supporting renewable and low-carbon gases and fuels, energy security, and the gradual decarbonisation of the energy system. This also does not recognise infrastructure associated with CCUS. The proposal should be amended to ensure that any decision by a competent national authority regarding the financial eligibility of a decommissioning project is taken only after due consideration of the relevant network decommissioning plans developed pursuant to Art. 57 of Directive (EU) 2024/1788, including the assessment of repurposing opportunities and future renewable and low-carbon gas demand.
	(b) repurposing of energy infrastructure to enable the exclusive use, storage or transport of pure hydrogen without the need for any further adaptation works, as defined in the TEN-E Regulation;	(-) The current wording does not reflect the gradual development of renewable and low-carbon gas infrastructure, as it does not consider any possibility of blending. By restricting eligible "repurposing" projects to the definition provided in the TEN-E Regulation, the proposal risks excluding projects involving the use of existing gas infrastructure for renewable and low-carbon gases, including hydrogen blending and biomethane. Therefore, the reference to repurposing "without the need for any further adaptation works" should be clarified or removed. Is more restrictive than the approach established under Directive (EU) 2024/1788. While the MFF proposal limits support to the repurposing of infrastructure for the exclusive use, storage or transport of pure hydrogen, Art. 56 & 57 of the Gas Directive require network planning to take a broader assessment of future infrastructure needs. Art. 57(2)(b) requires decommissioning plans to be based on reasonable assumptions regarding the future production, injection and supply of natural gas, <u>including biomethane.</u> Furthermore, Art. 56 provides for the coordination of hydrogen network planning with existing gas infrastructure, including infrastructure that may be repurposed. <u>Art. 56 does not limit the scope to "pure hydrogen" only</u>. The proposed wording risks excluding infrastructure that continues to play a role in the transport of renewable and low-carbon gases and fuels. The provision should be amended to ensure that eligibility decisions concerning the repurposing of gas infrastructure are assessed in light of the network planning obligations established under Art. 56 & 57, including the consideration of biomethane deployment, as well as low-carbon hydrogen.

	d) low-carbon fuels in line with Renewable Energy Directive and with Directive for renewable gas, natural gas and hydrogen	(+) Welcome recognition of renewable/low-carbon gas and fuels assets.
	f) transport infrastructure and transport mobile assets (e.g., trucks, rolling stock, vessels), capable of transporting renewable, low-carbon or non-energy products (e.g., construction material) and transport, transmission, distribution and storage infrastructure for renewable and low-carbon fuels within transport-related sites (ports, airports, refuelling and recharging stations).	
2) Generation of electricity, heat or cold from fossil fuels. The following areas are proposed to be carved out:	a) generation of electricity, heat and cold for efficient district heating or cooling systems in accordance with Article 26 of the Energy Efficiency Directive, provided that EU funding does not support generation assets based on fossil fuels;	(+/-) While the recognition of generation with renewable/low-carbon fuels is positive, the provisions do not recognise the critical role of natural gas-based generation for the efficiency and flexibility of the electricity, heating and cooling systems. Gas-fired power plants continue to play an important role for decarbonisation and flexibility of electricity and will increasingly continue to do so despite the missing business case[1]. The carve-out should therefore consider natural gas where it contributes to the definition of an efficient district heating or cooling system under Article 26 of the Energy Efficiency Directive, including systems in transition towards greater use of renewable and low-carbon energy sources. The framework should also recognise efficient CHP where it reduces emissions compared with realistic alternative ways of providing heat and power.
	c) generation of electricity with low-carbon fuels, which are in line with the Renewable Energy Directive and with Directive for renewable gas, natural gas and hydrogen	
	d) on-site heat or cold generation for Net-Zero Industry Act (NZIA) technologies as defined in Annex of NZIA Regulation, other net-zero technologies as defined in relevant Union legislation, or for strategic projects for critical medicinal products as recognised in the proposed Commission's Regulation for a Critical Medicines Act	(+) Hydrogen, biomethane and CCUS technologies fall within the scope of the Net-Zero Industry Act (NZIA). (-) Annex I of the EU ETS is activity- and capacity-based and does not identify fossil-fuel use. The criterion could therefore capture installations operating with renewable hydrogen or other climate-neutral fuels. Eligibility should be based on the fuel used and actual environmental impact. High-efficiency behind-the-meter cogeneration and waste-heat recovery should be recognised where they reduce emissions compared with realistic separate supply alternatives.
3) Industrial activities in stationary installations, as covered by Annex 1 of the Emissions Trading System, and only insofar as the industrial process is concerned to be carved out:	a) investments in decarbonisation or other net-zero technologies as defined in relevant Union legislation, including the Net-Zero Industrial Act (Annex of NZIA Regulation)	
	b) investments that lead to projected GHG avoidance of at least [30-40%] including where such reductions will be achieved in stages due to technological, infrastructure or local constraints, provided that a credible decarbonisation plan is presented	(+/-) Positive recognition of technological, infrastructure and local constraints in decarbonisation pathways. However, the assessment should also consider the availability of renewable and low-carbon alternatives, Member States' different energy-system conditions and the timing of fuel supply while ensuring that a uniform threshold does not penalise industrial frontrunners with less remaining abatement potential.
4) Manufacturing, acquisition and leasing of road vehicles (M1 and N1) capable of using fossil fuels, and of other types of road vehicles	special purpose vehicles as defined by the Motor Vehicles Regulation (e.g. ambulances, firefighting trucks, police/patrolling vehicles, waste collection trucks).	(-) No exception for vehicle using renewable fuels, including biomethane & renewable hydrogen.

[1] ENTSO-E ERAA 2024 "*ERAA modelling suggests that over 50 GW of new fossil gas flexible capacity would be beneficial given anticipated high scarcity prices, though these are expected to occur infrequently in 2035. This capacity would help ensure adequacy during peak times or low RES infeed.*" and "*Market signals based on rare scarcity hours may not justify investment, particularly when driven by rare extreme weather events.*"

which are not at least considered low-emission by the Heavy Duty Vehicles Regulation to be carved out:		
13) Waste incineration plants to be carved out:	b) carbon capture for storage or use;	(+/-) Recognition of carbon capture, utilisation and storage (CCUS) through the possibility to capture, use or store CO_2. The carve-out should also recognise waste-to-energy plants and waste-heat recovery, where they provide dispatchable electricity or contribute to efficient district heating and cooling systems under Article 26(1) of Directive (EU) 2023/1791 (EED) or support the production of renewable or low-carbon fuels.