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New Markets:

Regulatory incentives for
investing in
new & existing infrastructure

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Olden Times

no.203.078

THE WORLDS OLDEST NEWSPAPER

- since 1879 -

NEED TO INVEST A LOT IN GAS

Give us MONEY!!!

We need it.

Now!

We are the nice guys.

For the future of our business.



Natural Gas Flaring; Source: Worldbank.org

“We will never stop fighting”

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Greta Thunberg; Source: News Agency/ Hanna Franzen via Reuters

Need for investment in gas infrastructure?

- Depending on whom you ask – you might like the answer or not.
- Decarbonising the EU energy system for the benefit of our environment & society is the goal we are committed to.
- A new common narrative for the future energy system & contribution of the existing gas infrastructure needed.
- Voices for an all-electric world are decreasing as issues like resilience, costs, network development, storage, etc. are being more considered.
- Technology neutrality is key to avoid adverse lock-ins.
- Gas infrastructure can serve as the backbone of the future Hybrid Energy System.

However, in order to achieve full decarbonisation investments are needed.
But which investments?

What kind of investments are needed?

- Historical reasons for investments include
 - Market integration
 - Diversification of source or route
 - In general “Security of Supply” measures
 - Reinvestment
- However, the future will change the gas business & investment reasons dramatically:
 - Applied R&D
 - Ramping up existing pilot projects to industrial scale
 - Decentralisation, change of grid topologies from long-distance transport to more local structures
 - Decommissioning of assets
- Primarily the market should invest in new technologies.
 - However, will the market deliver?
 - Do we have the time to wait & hope, or do we need a safety measure?
 - Do we need to socialise the risks of early investments?

What is needed that investments take place?

- A common model of the future Hybrid Energy System is needed.
 - Different models in different parts of Europe.
 - Solar, wind, hydro, geological storage, agricultural waste potentials, etc. are not equal in Europe.
- Incentives needed, but should not distort markets.
 - However, investments need to become future fit as well.
- Uncertainties & regional differences call for flexibility regarding financing & regulatory rules.
- Flexibility comes in the form of:
 - Incentives,
 - Funding,
 - Temporary & limited suspension of some regulatory measures (Not shut eyes!).

Who shall pay for investments?

- Where possible, beneficiaries should pay.
- Investments in accelerated decarbonisation do benefit the whole society, thus, socialisation is the right approach.
- Alternative approaches for socialising investment risks:
 - Subsidies (from taxes),
 - Tariffs - for all vs. new customers,
 - R&D grants,
 - Creating specialized markets.
- Discussion needed, however, the gas industry cannot afford to waste time & wait until the “perfect” regulatory framework is implemented.

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Natural Gas Flaring; Source: Worldbank.org

Gas industry has to deliver NOW
to change public perception.

Decarbonization
calls for urgent action.

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