

The Consumer Voice in Europe

## HOW TO MAKE CONSUMER RIGHTS AND PROTECTIONS IN GAS FUTURE-PROOF

BEUC position paper



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EC register for interest representatives: identification number 9505781573-45



Co-funded by the European Union

Ref: BEUC-X-2021-068 - 20/07/2021

## Why it matters to consumers

Nearly one third of the energy used by European households is natural gas. Despite this important share, consumer rights and protections in the gas sector lag behind those for electricity. Gas consumers find it difficult to understand what they are paying for, how to distinguish between different offers and how sustainable their heating is. Consumers need better rights and protections in the gas market to be able to choose a (renewable) heating solution that is affordable, sustainable and adapted to their needs.

## Summary

Given the similar structures of the gas and electricity markets, a first and rather straightforward step will be to mirror relevant provisions of the existing consumer rights and protection framework in electricity to gas. This includes basic contractual rights, rules for bills and billing information, the right to switch energy provider, provisions on independent comparison tools, protections for vulnerable and energy poor consumers, adequate data protection for smart meters and data management and alternative dispute resolution.<sup>1</sup>

In addition, the Gas Directive should build upon the lessons learnt from the implementation of the Electricity Directive and *ad hoc* measures adopted for vulnerable and energy poor consumers during COVID-19 pandemic. This includes:

- Displaying important information in bills and contracts in a prominent manner. For example, important contract clauses and changes should be put in bold and accompanied by a warning sign; information on switching should be grouped together in a “switching package” in the bill.<sup>2</sup>
- Introduce temporary bans on disconnections during winter times and national holidays and weekends. Protections for consumers using bundled products or on-bills schemes need to be improved.

Moreover, the Gas directive should keep pace with EU’s climate ambitions:

- Consumers need to receive clear information on the climate impact of fossil gas. This includes disclosure of fuels used and associated greenhouse gas emissions.
- Consumers should be empowered to switch to renewable heating solutions, for instance by receiving a link or a reference in their gas bills where they can find more information on renewable heating solutions.
- To ban ‘green’ offers for fossil gas, trustworthy guarantees of origin for renewable gases and an effective pre-approval scheme are needed (for instance via the forthcoming legislative initiative on substantiating green claims).

In a more and more digitalised gas market, consumers should be adequately protected when making use of new business models. We thus need to:

- include third party intermediaries such as automated switching tools in the scope of legislation on consumer protection in the energy sector.
- include bundled products in comparison tools to allow for easy comparison.
- set up a general framework for cybersecurity in the energy market (for all types of energy)

<sup>1</sup> For an overview, please refer also to the mirroring table in the annex of this position paper.

<sup>2</sup> Including information on the benefits of switching, a link to the independent comparison tool, their tariff name and switching code/unique identification code.

## Introduction

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Nearly one third of the energy used by European households is fossil gas. Yet, consumer rights in gas lag behind the electricity sector. The revision of the Gas Directive will therefore need to create a consumer rights and protection framework which improves the situation of consumers currently still heavily relying on fossil gas.

For consumers, gas and electricity look very similar. You undergo a similar process of choosing a supplier, signing a contract, reading your meter and often you even interact with one single company for both types of energy. As a logical consequence, you would assume that you also have the same contractual rights, receive the same type of information within your bill and have the same opportunities to compare different offers and switch suppliers.

Unfortunately, this is not yet the case: Consumer rights and protections in gas lag behind those applicable for electricity. The Electricity Directive was updated recently and includes new rights and protections which should be mirrored to the Gas Directive during the upcoming revision. This includes equivalent consumer rights for contracts, bills and billing information, switching and comparison tools. But not only.

Indeed, with the COVID-19 pandemic existing challenges for vulnerable and energy poor consumers became more visible. Policy-makers should take the opportunity to turn lessons learnt during the crisis into a sound protection framework for vulnerable consumers and take measures to effectively tackle energy poverty in the gas market.

Consumers will need to switch to renewable heating solutions to reach the EU's climate objectives. Synergies between the political measures supporting renewables via the Renewable Energy Directive and consumer rights in the gas sector must be developed. Beyond a simple mirroring of consumer rights and protections from electricity, a clearer framework is needed to help consumers to switch from fossil gas to renewable heating solutions.

More and more 'green' gas offers are entering the market, while 99% of gas is (still) fossil. Misleading 'green offers' will prevent consumers from choosing a renewable energy solution as they believe that their current gas offer is already climate-friendly.

In addition, the revision of the Gas Directive should be used as an opportunity to address the development of new technologies and business models. This includes introducing better consumer protection for bundled offers and when using third party intermediaries (e.g., automated switching tools) or smart meters.

### 1. Equivalent consumer rights for gas and electricity

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Gas and electricity markets have been developed in a similar way, moving from a situation of natural monopoly towards a competitive market where consumers can freely choose among different suppliers.<sup>3</sup> The political frameworks for gas and electricity are very similar regarding the organisation of the market and its oversight by energy regulators. Yet, consumer rights and protections in the gas sector are less complete than in the electricity sector. Given the similar structures, mirroring existing provisions of the Electricity Directive to the gas sector is opportune and quite straightforward. This is what needs to happen:

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<sup>3</sup> In several Member States, a competitive market has not yet evolved. Thus, more implementation efforts are needed.

### 1.1. Contracts and bills which are easy to understand

Contracts and bills are the key channel of information between customers and suppliers. Both sides have an interest to clearly communicate to avoid consumer complaints and unpaid bills. The challenge is to communicate in a way which is clear and accessible for different types of consumers.

A tiered approach to information has proven successful for electricity. A first section of the contract and the bill includes key information and a second section includes more detailed information (e.g., breakdown of prices, consumption comparison with consumers in the same user category). This approach can be replicated to gas by mirroring Article 10, Article 18 and Annex I of the Electricity Directive.

Further improvement can be achieved by providing a template for the summary of contractual information (as this is the case for electronic communication services).<sup>4</sup> This harmonised presentation of key contractual information will make it easier for consumers to compare different offers prior to signing a contract. As it is the case for communication services, it should be mandatory to provide this contractual summary to consumers prior to signing the contract. This would for instance represent an additional safeguard for consumers subscribing to an energy contract in a telephone call.

In addition, important clauses in energy contracts such as clauses on the product, discounts and factors unrelated to the energy supply (e.g., consumers giving away data that can be used to contact them for different purposes) should be highlighted in bold and by a warning sign. When consumers' consent is required to process their personal data for a particular purpose, this consent should be requested clearly and separately from the general acceptance of the contract.

Consumer organisations have developed extensive expertise and networks with regards to communication with consumers. It is therefore beneficial both for policy-makers and suppliers to engage with consumers and their organisations when developing bills and contracts and its political framework (mirroring Article 18, Paragraph 5, Electricity Directive).

### 1.2. Contractual information reaching consumers on time

It is key that consumers receive information in good time. This is particularly important when contractual conditions are about to change. Currently, gas providers can inform the customer, "at an appropriate time no later than one normal billing period **after the increase comes into effect** in a transparent and comprehensible manner" (Gas Directive, Annex I, Paragraph 1, Point b). In reality, this often means that information comes too late for consumers to be able to avoid paying a higher price. Instead, if consumers receive the information before the adjustment, they can react by changing supplier.

Therefore, gas consumers should be informed, as is already the case for electricity, "no later than **one month** in the case of household customers, **before the adjustment comes into effect**" (Article 10, Paragraph 4 Electricity Directive).

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<sup>4</sup> Commission Implementing Regulation (EU) 2019/2243 of 17 December 2019 establishing a template for the contract summary to be used by providers of publicly available electronic communications services pursuant to Directive (EU) 2018/1972 of the European Parliament and of the Council.

Gas consumers should also be aware of upcoming changes as soon as this information is available. Therefore, bills should indicate if the subscribed contract foresees future changes of the product or the price and the date when the change occurs (mirroring Article 18, Paragraph 4, Electricity Directive).

In addition, it should be mandatory to display contractual changes at the beginning of the bill in a prominent manner (in bold, accompanied by a warning sign) to make sure that consumers do not miss the information.

### **1.3. Making switching supplier consumer-friendly**

The development of a well-functioning and competitive retail market heavily relies on the ability of consumers to switch supplier. The more consumers switch, the more suppliers will come up with competitive conditions favourable for consumers. An analysis of electricity and gas offers covering the period November-December 2019 shows that the difference between the highest and the lowest price on average for both electricity and gas are around €300 annually.<sup>5</sup> Yet, in 22 Member States, switching rates in gas remain under 10%.<sup>6</sup>

Thus, switching must become easier for consumers. Currently, practical switching length in gas varies between one day in the Netherlands and 22 days in Hungary.<sup>7</sup> A first step should be to align the Gas Directive with existing provisions of the Electricity Directive: the process of technical switching should be feasible within 24 hours (mirroring Article 12, Paragraph 1, Electricity Directive). Furthermore, consumers should be able to participate in collective switching schemes alleviating the administrative burden for individual consumers (mirroring Article 12, Paragraph 5, Electricity Directive).

One challenge appearing during the implementation of the Electricity Directive is that information on switching is scattered across the bill, which makes it harder for consumers to find the relevant information. Information on switching should be put together in one place, easily accessible on the bill as a “switching package”<sup>8</sup>. This switching package should include information on the benefits of switching, a link to the independent comparison tool, their tariff name and switching code/unique identification code.

### **1.4. Independent comparison tools navigating consumers through complex markets**

To effectively navigate increasingly complex energy markets, consumers need an easy access to tools that can guide them to the offer that is best for them. Comparison tools, if well designed, can help consumers access the information that they need to make their choices. Providing easily understandable information, comparison tools can help consumers to become more active in energy markets. Therefore, they can be a tool for further promoting competition in energy markets. As bundled offers of electricity and gas become increasingly common, price comparison tools should include the possibility to compare offers bundling electricity and gas.

The Electricity Directive includes several general principles to ensure that comparison tools are independent, and consumers can trust the information received. BEUC therefore recommends mirroring Article 14 of the Electricity Directive to the Gas Directive.

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<sup>5</sup> ACER & CEER (2020), Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019, Energy Retail and Consumer Protection Volume, p. 33.

<sup>6</sup> *Ibid*, p. 60.

<sup>7</sup> *Ibid*, p.58.

<sup>8</sup> CEER (2021), Report on Billing Issues in the Clean Energy for All Europeans Package, p. 15.

### 1.5. Effective out of court procedures

Alternative dispute resolution schemes exist for both gas and electricity. In most Member States, alternative dispute resolution mechanisms are set up by the same institutional actor which can be the energy regulator or an independent energy ombudsman. Mirroring Article 26 of the Electricity Directive is opportune to clarify that the same rules apply for both sectors. In this regard, it is particularly important that gas companies are obliged to take part in such schemes for household consumers as this is the case for electricity. In addition, it should be ensured that the schemes are free of charge for consumers.

#### Case study: Case study: Consumer-friendly energy bills in Portugal

BEUC's Portuguese member DECO set up a project called Fatura Amiga which explains to consumers the key elements of their energy bills and ultimately helping them to save energy or switch supplier. On the [website](#), consumers can choose a sample invoice of their energy supplier to get an explanation of all the different components of their energy bill: payment information, historical consumption data, characteristics of the tariff, the breakdown of energy prices and disclosure of CO<sub>2</sub> emissions. The website also provides energy saving tips and links to price comparison tools. By uploading their own energy bill, consumers can plan their consumption, future savings and compare their current tariff to the ones available on the market. In short, with Fatura Amiga, consumers get all the information they need in one place to reduce their energy consumption and save money with lower energy bills.

#### In a nutshell: to ensure that equivalent rights and protections apply for consumers in gas and electricity, the following provisions of the Electricity Directive should be mirrored to the Gas Directive:

- Basic contractual rights (Article 10)
- The right to switch energy provider (Article 12)
- Rules for bills and billing information (Article 18 and Annex I)
- Independent comparison tools (Article 14)
- Right to out-of-court settlement (Article 26)

#### In addition, to further improve consumer rights:

- introduce an obligation to highlight important contract clauses in bold and by a warning sign. Contractual changes should be communicated in a prominent manner.
- avoid scattered information on switching by introducing a "switching package" in each bill including information on the benefits of switching, a link to the independent comparison tool, their tariff name and switching code/unique identification code.

## 2. Adequate protection for vulnerable and energy-poor consumers

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The COVID-19 pandemic has shown the urgency to adequately address energy poverty and set up a good protection framework for vulnerable consumers. The pandemic hit vulnerable and energy poor consumers even harder. Staying at home is much harder to stand when it is freezing inside. Losing your job during the pandemic makes it more difficult to pay your energy bills. This led to many people experiencing energy poverty for the first time in their lives.

At the same time, several good *ad hoc* measures to help vulnerable and energy poor consumers were set up during the pandemic and should be included in a long-lasting policy framework, namely the temporary ban of disconnections.

### 2.1. Adequately protect vulnerable and energy poor consumers against disconnection

Preventing the disconnection of consumers during the period of acute COVID-19 crisis was identified as a good practice by energy regulators. 17 out of the 27 regulators adopted a partial or total ban of disconnection during the pandemic.<sup>9</sup> This is an important lesson learnt for the revision of the Gas Directive which should address the topic of disconnection more in detail.

Currently, the Gas Directive states that Member States shall prohibit disconnections for vulnerable customers in so-called critical times. A more detailed definition of critical times is needed to ensure that temporary bans on disconnections are implemented. BEUC and national consumer organisations identified in the EU-project STEP (**S**olutions to **T**ackle **E**nergy **P**overty) the following best practice<sup>10</sup>: protection against disconnection during winter times and for vulnerable consumers during the whole year should be guaranteed by all Member States. Other critical times for disconnection are weekends and national holidays on which consumers risk to be left alone with no possibility to get help from local authorities, social workers or consumer organisations. When getting involved in a dispute (e.g., on unpaid bills), disconnection should be prohibited until the dispute is settled.

Vulnerable consumers using on-bill schemes<sup>11</sup> also need added protection from the risk of disconnection. On-bill schemes provide a loan that covers the costs of energy efficiency improvements and investments in renewable heat technology. The consumer pays back the initial costs of these investments by monthly instalments which are folded in their energy bill. This allows consumers to shoulder higher upfront investments which amortise over time thanks to lower energy costs. At the same time, the monthly costs are higher which leads to a higher risk for lower-income consumers to be unable to pay their monthly bill. To avoid this risk of non-repayment, especially for lower-income consumers, policy-makers need to implement a loan-loss reserve that addresses the default risk by stepping in in case of repayment difficulties. Disconnections should be banned for the whole duration of the loan to avoid consumers who are able to pay for their energy consumption being disconnected due to a missing loan instalment.

In addition, measures to prevent disconnections should be foreseen in the Gas Directive as is already the case for electricity (mirroring Art. 10 §11 of the Electricity Directive). Consumers should receive adequate information about alternatives to disconnection (e.g.,

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<sup>9</sup> CEER (2021), First analysis of the Covid-19 pandemic's effects on the energy sector, p. 15 and 30.

<sup>10</sup> STEP (2020), Policy recommendations for the implementation of the Clean Energy for all Europeans package, p. 12.

<sup>11</sup> The Renovation Wave considers on-bill schemes as a key market incentive for renovation. For more information, please refer to [STEP Second set of policy recommendations](#) and [BEUC position paper on sustainable housing](#).

prepayment systems, energy audits, energy consultancy services, alternative payment plans, debt management advice or disconnection moratoria) to disconnections well in advance of the planned disconnection and without constituting an extra cost to the consumers facing disconnection.

Consistent and sensitive policies to debt recovery are needed to avoid disconnections. Policy-makers should make sure that consumers have access to independent and qualitative advice free of charge in all Member States. In addition, they should take measures to encourage consumers to take advantage of schemes designed to improve energy affordability, such as energy efficiency grants, social tariffs and welfare benefits.

## **2.2. A sound protection framework for vulnerable and energy poor consumers**

The current Gas Directive introduces energy poverty and vulnerability as general concepts but does not define these concepts nor introduce concrete measures to tackle energy poverty or to protect vulnerable consumers.

For vulnerable consumers, the existing provisions (Art. 28) of the Electricity Directive should be mirrored in the Gas Directive. Compared to electricity, guidance on the concept of vulnerable consumers and measures to help vulnerable consumers, for instance via social security systems and energy efficiency improvements are missing in the Gas Directive.

To adequately address energy poverty, we first need to define the concept and allow for comparisons at EU level. As is already the case for the Electricity Directive, a dedicated article on the assessment of energy poverty should be introduced in the Gas Directive. Yet, this article should also take into account the initial findings of the Energy Poverty Observatory.

For instance, the EU Energy Poverty Observatory introduces four primary indicators (arrears on utility bills, low absolute energy expenditure indicating a fear of high costs, high share of energy expenditure in income, inability to keep home adequately warm), complemented by a number of secondary indicators on the characteristics of the dwelling, energy prices and the population. These indicators should be used to create comparable indicators for assessing energy poverty in EU Member States.

Carefully monitoring energy poverty and the impact of policy measures on vulnerable consumers is also an important element of success for the energy transition. Assessing energy poverty in the gas sector can be used as a basis for mitigation measures in the Energy Efficiency Directive (e.g., targeting energy efficiency measures to energy poor households). The assessment can also bring additional evidence for future policy measures (e.g., carbon pricing) which should always be accompanied by a distributional impact assessment.

## **2.3. Regulated prices for vulnerable consumers**

Article 5 of the Electricity Directive should be mirrored to clarify the scope and conditions for regulated prices. Targeted price regulation with the aim of protecting energy poor and consumers in vulnerable situations should be retained as a policy tool, as long as markets are not delivering competitive prices for all consumers and other available measures are not sufficient to protect the most vulnerable ones. Prices set by public intervention should reflect the trend of wholesale prices, should not impede market entry and should be set at a level allowing an efficient supplier to make a reasonable level of return. The opportunity

for governments to intervene where competition is not working should not be time limited, even though the actual interventions themselves may be time-bound.

In more general terms, it is important that governments and regulators always carry out full impact assessments of tariff structures, policy costs and energy market measures to establish their distributional impact. This may require countervailing measures to prevent discrimination against lower income consumers. In some cases, it may require the introduction of social tariffs to mitigate long-term detriment. Ideally, the cost of such tariffs should be met from public expenditure rather than from other consumers' energy bills.

#### **2.4. Supplier of last resort where gas networks are available**

A supplier of last resort or default supplier is most often activated when consumers are passive (not actively searching for a supplier) or cannot find a supplier on the market. This situation tends to occur more often for vulnerable or energy poor consumers. To improve their situation, a supplier of last resort should be appointed where gas networks and the physical connection is already available.

**In a nutshell: to ensure sound protection of vulnerable and energy poor gas consumers, the following provisions of the Electricity Directive should be mirrored:**

- Measures preventing disconnection (Article 10 §11)
- Protection for vulnerable customers (Article 28)
- Measures against energy poverty (Article 29)
- Regulated prices for vulnerable consumers (Article 5)

**In addition, to further improve consumer rights for vulnerable and energy poor consumers:**

- Introduce clearer rules on disconnections
- Introduction protection for consumers using on-bill schemes
- Use the findings of the Energy Poverty Observatory to adequately assess energy poverty
- Introduce a supplier of last resort where gas networks are available

### **3. Paving the way towards renewables**

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Fossil gas will need to be phased out to reach climate neutrality by 2050. Consumers need to be supported in the transition towards renewable heating. Conversely to electricity, switching to renewable gases like green hydrogen will not be a cost-effective solution for households. Instead, other heating solutions such as sustainable district heating and electrified heating solutions are more cost-efficient.<sup>12</sup> Therefore, consumers need to receive clear information on the climate impact of fossil gas and on possibilities to switch to other heating solutions.

Providing clear information is two-fold: On the one hand, misleading information on the sustainability of fossil gas to consumers should be banned and consumers should receive clear information on the carbon footprint of their heating solution. On the other hand, information on switching to renewable heating should be easily accessible, for instance via comparison tools and energy bills.

<sup>12</sup> Please refer to [BEUC position paper on heat decarbonisation](#) for more detailed information.

### 3.1. Disclosure of the environmental impact

Consumers need information of the environmental impact of their gas contract. Disclosing the environmental impact of energy is also a powerful tool to raise consumer awareness and incentivise them to switch to renewable sources and reduce consumption.

So far, there are no provisions in the Gas Directive on the disclosure of the environmental impact of fossil gas. As it is the case for electricity, consumers should receive clear information in their bills on the composition of their gas supply and the amount of CO<sub>2</sub> emissions associated to their gas consumption (mirroring Annex I, paragraph 5 of the Electricity Directive).

### 3.2. Ex-ante measures against misleading green claims

Almost every (large) natural gas provider in Europe now offers 'green gas'. At the same time, biomethane represents 0.4% of the total amount of gas injected in Europe's gas pipelines and renewable and low carbon hydrogen (natural gas combined with Carbon Capture and Storage) combined represent 0.06% of today's natural gas production and are mostly used by industry.<sup>13</sup> How does this go together?

There is no common definition what is considered 'green' or 'climate/eco-friendly' and gas suppliers across Europe get very creative to substantiate their claim of being green.

There are two types of 'green gas offers':

- **Focus on small shares of renewable gas:** Companies emphasise the fact that their offer contains renewable gas while omitting that the largest share of the fuel is fossil gas. Consumers will be deceived when discovering the composition of the fuel.
- **Link fossil gas with unrelated CO<sub>2</sub> compensation projects:** Companies claim that CO<sub>2</sub> emissions from the 100% fossil gas contract are compensated by reforestation or renewable electricity projects in third countries. While the environmental benefits of these projects are already difficult to substantiate, it is certain that they do not contribute to the energy transition in heating & cooling.

Consumers can get easily confused and start believing that their fossil gas offer has a positive effect on the climate. As a consequence, many consumers will not see the need to switch to renewable heating solutions. Determined action by policy-makers and regulators is therefore urgently needed.

Unsubstantiated and misleading green offers can be considered an unfair practice (misleading action or omission) according to the Unfair Commercial Practices Directive (UCPD, 2005/29/EC).<sup>14</sup> Yet, looking at the abundance of 'green' gas offers on the market, it becomes clear that the general regulatory framework is not enough to adequately address this issue. The key problem is that horizontal legislation only foresees **ex-post** control.

As there is enough scientific evidence showing that fossil gas is not compatible with a climate-neutral Europe by 2050 and as it is a showcase for unsubstantiated green claims, EU legislation should introduce effective **ex-ante** measures to ban 'green offers' of fossil gas. Companies which would like to put a 'green offer' (e.g., for biogas, renewable

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<sup>13</sup> Gas for climate (2020), [Market Trends report](#).

<sup>14</sup> Article 6 and 7 of the Unfair Commercial Practices Directive. Please refer to [BEUC position paper on green claims](#) for more general information.

hydrogen) on the market should be required to get an authorisation by the energy regulator **prior** to publishing the offer.<sup>15</sup>

This preapproval scheme can be set up via the forthcoming legislative initiative on substantiating green claims. In energy legislation, a solid chain of custody system is needed (guarantees of origins) to allow for substantiated green claims in the gas sector (see next section). If policymakers should decide that energy is not in the scope of the initiative on green claims, a similar system needs to be set up via the upcoming revision of the Renewable Energy Directive or Gas Directive.

In addition, effective market surveillance is needed. Energy regulators should actively monitor the offers of gas suppliers and fine those not complying with the rules. One effective tool would be to introduce a blacklist enumerating those claims which are impossible to substantiate as they are not defined by any energy-related regulation e.g., green, climate/eco-friendly or clean.

#### Case study: How to claim that fossil gas is green in Germany

When you type 'natural gas' in German into an online search engine, the second hit after Wikipedia is a [website](#) called 'Natural gas – an energy with future'. The website is set up by [129 stakeholders](#) involved in natural gas undertakings and claims fossil gas to be clean and environmentally friendly. In other EU countries similar websites exist.

When choosing their tariff, consumers are then offered a wide choice of 'clean/green/bio gas'. A group of regional gas suppliers even offer the full list: "100% climate neutral, sustainable, efficient, cheap & helps the forest" on their [website](#). The largest energy providers (Vattenfall, EON, EnBW) all have their 'green offer':

- **EON** offers consumers 'eco-gas' (Ökogas) where CO<sub>2</sub> is 'compensated' via a climate project and certified by Tüv Nord. See [website](#).
- **Vattenfall** offers you 'nature gas' (Naturgas) where CO<sub>2</sub> is 'compensated' with offshore wind projects in Chile and Taiwan, again certified by Tüv Nord. See [website](#).
- **EnBW** offers you a tariff called "care-free and green" (Sorgenfrei und grün) where 90% is fossil gas and 10% bio-methane. See [website](#).

Similar offers green offers exist in many EU Member States.

### 3.3. A trustworthy framework for guarantees of origin

Guarantees of origin are a statistical tool to track and demonstrate the share of renewable sources in the energy mix. For each megawatt hour of energy produced, a certificate (so called guarantee of origin) is issued. This certificate can be then used to substantiate green claims (see point b).

The Renewable Energy Directive also recently introduced guarantees of origin for renewable gas, including hydrogen. It is of crucial importance that guarantees of origin for renewable gases are trustworthy for consumers. Otherwise, they will contribute to the greenwashing which is already widespread in the gas market (see point b). To avoid greenwashing, several safeguards are needed:

<sup>15</sup> <sup>15</sup> A positive example of green offers pre-approved by a regulatory authority is the Green Energy Label scheme ran by Ofgem in the United Kingdom.

Consumers need to be able to clearly distinguish between what is renewable and what is not. To avoid complexity, guarantees of origin should clearly indicate whether a fuel is renewable or fossil. Therefore, a harmonised, EU-wide definition of renewable gases is needed. This definition must exclude low-carbon gases.

Any types of loopholes in the calculation method should be avoided. Only 100% renewable gases should be accounted as renewable. Fossil gas blended with renewable hydrogen should not be accounted as renewable.

In addition, whether hydrogen is considered renewable or not, should be based on the production mix of the electricity used to produce hydrogen and not by associating guarantees of origin from dissociated renewable electricity production elsewhere. This is particularly important as an oversupply of guarantees of origin from Norwegian hydropower installations is causing market distortions for guarantees of origin for electricity. It has to be carefully assessed how to avoid a spill-over of these market distortions to guarantees of origin for gas.

### **3.4. Information how to switch to renewable heating in bills and comparison tools**

The energy transition in the heat sector will only take place if a very large share of consumers switches their heating supply from fossil fuels, including fossil gas, to renewable heating solutions. This major shift cannot cost-effectively take place within the current gas networks and should thus be based on a switch to a different heating system.

Therefore, besides information on how to switch to another gas supplier, consumers need – even more importantly - more general information and advice on how to switch to renewable heating. Pursuant to Article 18 of the Renewable Energy Directive, Member States already have the obligation to ensure that consumers receive “information on the net benefits, cost and energy efficiency of equipment and systems for the use of heating, cooling and electricity from renewable sources”. In addition, “Member States shall ensure that information on support measures is made available to all relevant actors, such as consumers”. Providing this information via gas bills and gas comparison tools could be one effective mean to fulfil these requirements. For consumers, it would provide the advantage of finding all information on all possible solutions in a single and very easily accessible place.

One of the main communication channels to consumers is their energy bill:

In addition to the information on switching to another gas supplier, the bill should also indicate where consumers can find more information and access to advice on renewable heating and support measures. Depending on how Member States decided to implement Article 18, such information could take the form of a link to an official website on renewable heating and support measures or a website of an independent One Stop Shop where consumers can receive more information and advice.

Another important channel for informing consumers about switching possibilities are comparison tools:

The website of comparison tools for gas should indicate a link towards relevant information and to the extent possible include cost comparison with renewable heating solutions. The advantage of providing this information via comparison tools is that it would target consumers who are already considering to switch their energy solution and hence contribute to influencing their decision.

**In a nutshell: to effectively address the issue of green-washing in the gas sector, EU legislation (for instance the initiative on substantiating green claims and the legislative framework for guarantees of origins) should:**

- Disclose the environmental impact of gas consumption in the gas bill (mirroring Annex I, paragraph 5 of the Electricity Directive)
- Introduce effective ex-ante measures to ban 'green offers' of fossil gas.
- Establish a trustworthy guarantees of origin system for renewable gases.

**To empower consumers to switch from fossil gas to renewable heating solutions, policy makers should include the following provisions in the Gas Directive:**

- Include information on how to switch to renewable heating solutions in gas bills and comparison tools for gas.

## 4. A future-proof protection framework for using new technologies

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With decarbonisation, digitalisation and decentralisation happening at the same time, new business models are appearing and evolving at a rapid pace in the energy market. These new business models can bring additional benefits for consumers, making it easier to switch to a new supplier, for example. At the same time, consumers are often not adequately protected when opting for new products and services, such as bundled products or automated switching tools.

Policymakers should make sure that consumers can benefit from these new developments. A sound consumer protection framework will allow consumers to trust new products and services and thus become an active part of the energy transition. At the same time, competitive traditional offers should always be available to avoid discriminating consumers without digital skills or equipment.

### 4.1. Bundled products

Bundled products offer several services and products in a package. A gas offer can be bundled with another energy product or service (e.g., electricity contract or energy maintenance service) but also with completely different products such as home insurance or even a food delivery.<sup>16</sup>

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<sup>16</sup> CEER (2019), Guide on bundled products, p. 6.

Consumers can potentially benefit from a price reduction, as the bundled offer makes each component of the package a bit cheaper when bought together. At the same time, bundled offers make it more complex for consumers to compare and switch between different offers.

So far, the Gas Directive does not cover bundled offers. To improve consumer protection for bundled offers in the gas sector, consumers should receive clear information in their contract on bundled products and services, both on applicable tariffs and charges, as well as on the duration and conditions for termination (mirroring Article 10, Paragraph 3, point d and e of the Electricity Directive).

Bundled products also represent a challenge for national regulatory authorities as they often bundle products and services from different sectors. Cooperation<sup>17</sup> between different regulators is needed, especially when it comes to alternative dispute resolution. It has to be clear that the mandatory participation of companies also applies in the case of bundled offers (mirroring Article 26, Paragraph 2, Electricity Directive). Given the fast-evolving nature of bundled products, regulators should also clearly monitor whether consumers benefit from bundled products.

Bundled products can make it even more difficult for consumers to switch. To allow for a well-functioning energy market, comparison tools should include bundled offers (for gas and electricity) and switching rights should apply to the same extent to bundled offers as to traditional offers (e.g., no switching and termination fees).

Bundled products can increase the risk of disconnection for vulnerable consumers as the overall price is higher. It has to be made clear that disconnection cannot occur if consumers are still able to pay for their energy consumption. It should be therefore always possible to terminate individual services of the bundled offer and keep the essential service (in this case energy) intact.

#### **4.2. Third party intermediaries**

Third party intermediaries (TPIs) connect consumers with one or more possible suppliers to compare different offers and/or switch automatically to a new contract.

If designed well, they can help consumers get the best offer available on the market. This is done, for instance, by an initiative of BEUC's Belgian member Test-Achats who created 'Gaele'<sup>18</sup>, a tool which negotiates good contract conditions for consumers, facilitates switching and ensures that offers are based on 100% renewable energy.

At the same time, BEUC's British member Citizens' Advice reports on negative consequences of badly designed TPIs: their report shows that automatic comparison and switching tools available in the UK only covered 15 out of 70 possible energy suppliers. This leads to higher prices for consumers as they might miss the most attractive offers on the market. In addition, Citizens' Advice shows that these tools lack appropriate consumer protection measures, such as the possibility to use alternative dispute resolution. This is because TPIs are so far not obliged to get a supplier's licence and thus are not required to provide the same consumer protection measures as energy suppliers.<sup>19</sup>

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<sup>17</sup> The PEER project is a good example of cross-sector cooperation. For more information, please refer to CEER (2019), Guide on bundled products.

<sup>18</sup> For more information on the automated switching tool GAELE: <https://www.gaele.be/>

<sup>19</sup> Citizens' Advice (2020), [Stuck in the middle. How to improve protections for people using energy third party intermediaries.](#)

The Gas Directive should introduce provisions to ensure that TPIs treat consumers fairly: Quality standards for comparison tools need to ensure that consumers receive transparent and trustworthy information. Consumer rights & protections should apply independently of whether consumers subscribe to an offer with the supplier directly or via an intermediary. For instance, alternative dispute resolution should be available to all consumers. When switching automatically, a cooling-off period should allow consumers to cancel the switch during a legally determined period of time. Data protection and privacy rules should be fully enforced. Regulatory authorities should closely oversee TPIs and their effects on consumers to analyse whether the tools bring the desired benefits while adequately protecting consumers.

Vulnerable consumers are particularly at risk when using TPIs. A regulatory safety net has to ensure that their specific needs (e.g., need for higher room temperature due to health reasons) and rights (e.g., eligibility for regulated energy prices) are reflected when using TPIs. In addition, competitive traditional offers should always be available to avoid discriminating consumers without digital skills or equipment.

#### **4.3. Dynamic pricing, demand response & aggregators**

Given the nature of natural gas and its market structure, dynamic pricing, demand response and aggregators are not opportune business models for gas as it is a flexible energy carrier.

Moreover, the possibilities for producing renewable gases are very limited for consumers. It is therefore also unlikely that consumers will take a role as active customer selling gas or flexibility to the grid. Mirroring of provisions of the Electricity Directive for these topics is thus not opportune.

#### **4.4. Secure data management, cybersecurity, data protection by design and by default**

A digitalised energy market generates a growing amount of data. With more and more precise consumption data, sensitivity of this data is increasing. Article 23 of the Electricity Directive foresees rules to regulate data access and management to ensure data security and protection. Similar protections should apply to gas and therefore mirroring of Article 23 of the Electricity Directive is opportune.

This specific nature of the gas market explains why smart meters are less widespread in gas than in electricity. Besides metering, their use for gas is rather limited. Yet, they exist in certain countries where roll-out has started (e.g., Germany, Estonia, France, Ireland, Italy, Luxembourg, the Netherlands, and Poland)<sup>20</sup>. Mirroring consumer protections for smart meters (in Article 19 and 20 of the Electricity Directive) to the Gas Directive is therefore opportune. Smart meters should ensure data protection by design and by default.

In addition, policymakers should develop a more general framework for all types of energy to adequately protect consumers against hacking and cyber-attacks via smart meters. Where smart meters and connected products are developed, security requirements should be in line with the NIS-Directive. The grid is only as secure as its least secure part, and this includes consumers' products that are connected to it. Recent cyber-attacks on consumer devices show that it is key that not only rules on the security of the energy network are set, but also that the security of appliances is addressed by legislation.

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<sup>20</sup> ACER & CEER (2020), Annual Report on the Results of Monitoring the Internal Electricity and Natural Gas Markets in 2019, Energy Retail and Consumer Protection Volume, p. 12.

**In a nutshell: a future-proof protection framework for gas consumers making use of new technologies and business models is needed.**

**The following provisions of the Electricity Directive should be mirrored in the Gas Directive:**

- Bundled products (Article 10 §3 and Article 26 §2)
- Data management (Article 23)
- Consumer protections for smart meters in Article 19 and 20 without incentivising their use.

**In addition, the following new provisions should be introduced:**

- Include **bundled products** in comparison tools & improve protection for consumers risking disconnection.
- Introduce adequate consumer protection for consumers using services from **third party intermediaries** such as automated switching and comparison tools.
- A general framework for **cybersecurity** in the energy market (for all types of energy)

Annex: Mirroring table

<b>Existing consumer rights &amp; protections in electricity<sup>21</sup></b>	<b>Existing consumer rights &amp; protections in gas</b>	<b>Mirroring opportune?</b>
 Basic contractual rights (10)	 Existing, but less complete	 Some provisions missing in gas, could become a dedicated article
 Right to switch energy provider (12)	 Existing, but less complete	 Some provisions missing in gas, could become a dedicated article
 Independent comparison tools (14)	 Non-existent	 Could become a dedicated article
 Rules for bills and billing information (18 + Annex I)	 Existing, but less complete	 Missing rules should be added for gas
 Specific protection measures for vulnerable consumers (28)	 Existing, but less complete	 Some provisions missing in gas, could become a dedicated article
 Assessment of energy poverty (29)	 Non-existent	 Yes, insert corresponding article
 Regulated prices for vulnerable consumers (5)	Currently, MS can adopt regulated prices for all consumers.	 Yes, insert corresponding article
 Data management and protection (23)	 Very limited	 Yes, insert corresponding article
 Smart meter (19 & 20)	 Consumer protection is less complete for gas	 Missing consumer protections should be introduced
 Dynamic pricing, demand-response and aggregators (11, 13, 17)	 Non-existent	Not relevant for gas.
 Active customers (15) and citizens energy communities	 No dedicated provisions for gas	Not relevant for gas.
 Single point of contact (25)	 Single point of contact (3 §9)	 Could become a dedicated article
 Right to out-of-court settlement (26)	 Existing but less complete	 Mirroring opportune
 Independent oversight by regulator authorities (57, 58 & 59)	 Independent oversight by regulator authorities (39, 40 & 41)	 Already in place

<sup>21</sup> Existing article of the Electricity Directive as reference into brackets.

END



*This publication is part of an activity which has received funding under an operating grant from the European Union's Consumer Programme (2014-2020).*

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