

The Consumer Voice in Europe

HOW TO MAKE GAS MARKETS WORK FOR CONSUMERS

BEUC recommendations for the trilogue negotiations on the Gas Directive



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Why it matters to consumers

Today, 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 in 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. To support Europe's plan to become carbon neutral by 2050, gas needs to be phased out and consumers will need to switch from gas to renewable energy. For the switch to be equitable, consumers should be granted appropriate protections and guarantees!

Summary

As the European Parliament and the Council will soon enter negotiations on the European Commission's proposal on a revised Gas Directive, BEUC recommends the EU institutions to take concrete steps to improve consumer rights and protections in gas markets. In addition, rules on the functioning of gas markets should also ensure that the transition away from fossil gas takes place in an equitable way and at the least cost for consumers. To achieve these goals, EU legislators should:

1. Improve precontractual information so that consumers know what they are signing up for (Article 10).
2. Allow consumers who cannot pay, to pay in instalments and protect vulnerable and energy-poor consumers from disconnections (Article 10.9a).
3. Allow consumers to terminate individual elements of bundled offers (Article 11.3).
4. Grant appropriate rights and protections to consumers in the case of decommissioning of gas networks (Article 11a).
5. Not promote the roll out of gas smart meters for households (Article 16(2)).
6. Avoid cross-subsidisation of hydrogen networks from household gas users (Articles 53 and 69).

1. Improve precontractual information so that consumers know what they are signing up for

One evident shortcoming observed by consumer organisations across all European markets during the ongoing crisis is that consumers experienced increasing bills while not anticipating this possibility.

Many consumers were unaware that the contract they signed up for involved gas or electricity prices linked to wholesale prices. They mistakenly believed that the prices they were paying for gas or electricity remained fixed throughout the contract's duration. This is not new. Every year, the Norwegian consumer organisation Forbrukerrådet (Norwegian Consumer Council) conducts a survey tracking Norwegian consumers' experience with electricity markets.¹ In 2021, when asked about the type of tariff specified in their electricity contract, almost 70% of the respondents said they did not know or mentioned tariff structures that were unavailable on the market. Similar results have consistently been reported in previous editions.

Similarly, a survey conducted by the Belgian National Regulatory Authority CREG revealed that half of the consumers were unaware of whether they had a fixed or variable-priced contract.² Additionally, one in two consumers felt insufficiently informed about the difference between fixed and variable prices.

How can the Gas Directive improve this situation?

EP Mandate	Council Mandate	BEUC recommendations
<i>Article 10(3) third subparagraph</i>		
Final customers shall be provided with a summary of the key contractual conditions in a prominent manner <i>in a single document</i> and in concise and simple language. <i>Member States shall ensure, through their regulatory authorities, the use of common terminology agreed at national level.</i>	Final customers shall be provided with a summary of the key contractual conditions in a prominent manner and in concise and simple language. The Commission shall provide non-binding guidance in this regard.	BEUC welcomes both Parliament's and Council's proposals. The use of a common terminology agreed at the national level will ensure that the summaries of key contractual conditions are comparable. Guidance by the European Commission will facilitate implementation of the provision by Member States and National Regulatory Authorities.

¹ Forbrukerrådet, [Strøm og strømleverandører – kunnskap, erfaringer og holdninger i befolkningen](#)², April 2021

² CREG, [Rapport relatif à l'enquête et l'étude sur le comportement des consommateurs résidentiels sur le marché de détail belge de l'électricité et du gaz naturel](#), June 2021.

<i>Article 10(5)</i>		
<p>5. Suppliers shall provide final customers with transparent information on applicable prices, tariffs, standard terms and conditions, in respect of access to and use of gas services, in particular whether the price is fixed or variable and, if relevant, on possible promotions or discounts, and additional products and/or services bundled with the gas services.</p>	<p>5. Suppliers shall provide final customers with transparent information on applicable prices and tariffs and on standard terms and conditions, in respect of access to and use of gases services.</p>	<p>BEUC welcomes the Parliament's proposal.</p> <p>Key summaries of contractual conditions should emphasise whether the price is fixed or variable because consumers are currently unaware of it.</p> <p>Suppliers often do not communicate transparently to consumers what are the consequences of promotions, discounts and bundled offers. This information should be communicated clearly in the summaries.</p>
<i>Article 10(5a)</i>		
<p>5a. Member States, through their regulatory authorities, shall ensure that key contractual information is identified and highlighted within the offers provided by the suppliers to the costumers and shall monitor and report on transparency of market offers.</p>		<p>BEUC welcomes the Parliament's proposal.</p> <p>Monitoring by National Regulatory Authorities will allow for an assessment of the effectiveness of the rules. If NRAs collect evidence that the rules are not effective, this will serve as a basis for regulatory changes.</p>

2. Allow consumers who cannot pay to pay in instalments and protect vulnerable and energy-poor consumers from disconnections

The Commission proposal on the Gas Directive introduces new measures to prevent consumers from being disconnected due to unpaid bills. The proposal states that consumers should receive sufficient information about alternatives to disconnection, such as pre-payment systems, energy audits, energy consultancy services, alternative payment plans, debt management advice, or disconnection moratoria. This information should be provided well in advance of the planned disconnection and should not incur any additional cost for consumers facing disconnection.

How can the Gas Directive improve this situation?

EP Mandate	Council Mandate	BEUC recommendations
<i>Article 10(10)a</i>		
<p>Member States shall prohibit disconnections in the case of vulnerable household customers and customers affected by or at risk of energy poverty who use natural gas for heating during the winter. Member States may extend that prohibition to non-household customers.</p>		<p>BEUC welcomes the Parliament’s proposal.</p> <p>Although in some cases suppliers may perceive disconnection as the only available option, it is crucial for the Directive to grant consumers appropriate protections by prohibiting disconnections under certain conditions.</p> <p>Consumers who rely on gas appliances for heating may face the risk of death if they are disconnected from the gas supply during winter. The Directive should foresee appropriate protections against disconnections for those consumers using gas for heating.</p> <p>Similar measures are already in place in some countries, such as France,³ Ireland,⁴ Finland and Belgium, while Netherlands introduced them for the past winter season.</p>
<i>Article 10(5a)</i>		
<p>Member States shall ensure that disconnections are prohibited during ongoing judicial or out-of-court disputes between the supplier and customers for a period of eight weeks.</p>		<p>BEUC welcomes this proposal.</p> <p>In cases where consumers are involved in a dispute with their energy supplier regarding unpaid bills, consumers should not be disconnected because of those unpaid bills until the dispute is resolved.</p>

³ See Médiateur national de l’énergie, [La trêve hivernale](#).

⁴ The ban on disconnection was extended to three months for the winter 2022-2023, as energy prices increased and are putting many households under financial strain. See CRU, [CRU Announces Suite of New Enhanced Customer Protection Measures for Coming Winter](#), August 2022.

3. Allow consumers to terminate individual elements of bundled offers

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 it can also be bundled with completely different products such as home insurance or even food delivery.

Consumers can potentially benefit from a price reduction, as the bundled offer makes each component of the package slightly cheaper when purchased together.

However, bundled offers may limit competition in the gas market if consumers are not guaranteed the appropriate right to switch to a different offer.

How can the Gas Directive improve this situation?

EP Mandate	Council Mandate	BEUC recommendations
<i>Article 10(10)a</i>		
<p>Such fees shall be proportionate and shall not exceed the direct economic loss to the supplier or the market participant resulting from the customer's termination of the contract, including the costs of any bundled investments or services that have already been provided to the customer as part of the contract. The burden of proving the direct economic loss shall be on the supplier or market participant. The permissibility of contract termination fees shall be monitored by the regulatory authority, or by another competent national authority.</p>	<p>Such fees shall be proportionate and shall not exceed the direct economic loss to the supplier or the market participant resulting from the customer's termination of the contract, including the costs of any. In case of bundled investments or services that have already been provided to the customer as part of the offers, customers shall be able to terminate individual services of a contract. The burden of proving the direct economic loss shall be on the supplier or market participant. The permissibility of contract termination fees shall be monitored by the regulatory authority, or by another competent national authority.</p>	<p>BEUC welcomes the Council's proposal.</p> <p>This will enable consumers to participate more freely in the gas and other markets, as they would have the assurance that they can switch to a better offer if they find one.</p>

4. Grant appropriate rights and protections to consumers in the case of decommissioning of gas networks

To ensure the decarbonisation of residential heating, several Member States are planning to ban the sale of gas boilers (e.g., Germany) or considering the decommissioning of gas networks (e.g., the Netherlands) or the development of district heating networks.

As a result, the number of gas users is expected to decrease as Europe commits to decarbonise the heating sector. However, the costs of operating gas networks are projected to remain roughly the same, and past investments in the networks have not yet been fully recovered. This raises the risk that, since these costs will need to be paid by a decreasing number of gas users, consumers using gas and unable to switch to electricity may experience an increase in network tariffs.

Furthermore, if the phase-out of gas networks is not adequately communicated in advance, consumers may have insufficient time to switch to a different heating system. This could lead to increased consumer prices for electric heating appliances due to high demand and low supply of equipment or installers. It may even result in consumers being unable to install alternative heating equipment due to a lack of available workforce.

How can the Gas Directive improve this situation?

EP Mandate	Council Mandate	BEUC recommendations
<i>Article 11a.1(1)</i>		
	<p>1. Where the disconnection of network users pursuant to Article 34(4) is allowed, Member States shall ensure that:</p> <p>(a) the affected network users and other relevant stakeholders, notably consumer organisations, have been consulted;</p> <p>(b) network users and relevant stakeholders are informed sufficiently in advance of the planned date and subsequent steps for disconnection;</p> <p>(c) final customers have access to information and appropriate advice on sustainable heating options through the one stop shop procedure established in accordance with Article 21 of the of Directive (EU) .../... [recast EED];</p> <p>(d) when planning and carrying out the phase out of natural gas, specific needs of vulnerable customers or customers affected by energy poverty are duly taken into account.</p>	<p>BEUC welcomes the Council's proposal.</p> <p>All relevant stakeholders should be consulted in this process, as it is crucial to roll out the phase out cost-effectively and equitably.</p> <p>Network users should also receive appropriate information and advice to facilitate their switch to alternative energy carriers.</p> <p>There is a risk that vulnerable customers or customers affected by energy poverty will be impacted the most. A heat pump is an expensive device. Thus, there is a risk that low-income households who are less able to afford it will be those who keep relying on gas the longest and face increasing network tariffs because, while the cost of operating the network will remain the same, the number of users who pay for the network will decrease. Hence, plans should consider specific needs of those consumers.</p>

<i>Article 11a.5</i>		
<p>5. Discrimination and cross-subsidisation between different categories of customers and between energy carriers shall be avoided when carrying out a fuel switch or a district heating connection.</p>		<p>BEUC welcomes the Parliament's proposal.</p> <p>When a single company manages multiple energy networks, there is a risk that the remaining costs of the investment into a network that is being phased out are passed on to another energy infrastructure.</p> <p>This would be inequitable because the users of a gas network that will be decommissioned in the future may not coincide with the users of a district heating network or an electricity network operated by the same company in another area of the country.</p> <p>Therefore, there is a risk that network users would be charged for the cost of a network that they never used.</p> <p>To ensure an equitable transition, any cross-subsidies should be prohibited.</p>

5. Do not promote the roll out of gas smart meters for households

Households' potential to engage in demand side flexibility in the gas system is limited. The reason is that there is less need for gas demand to match at all times gas supply, because gas networks are able to store gas. There is instead a higher potential for households to engage in demand side flexibility in electricity networks.

This means that if the roll out of smart meters for electricity can lead to a reduction the costs of operating electricity networks, and hence to lower costs for consumers, the same is not true for gas smart meters.

A roll out of gas smart meters will hence lead to high costs to consumers connected to the roll out of the device and no reduction in network tariffs.

How can the Gas Directive improve this situation?

EP Mandate	Council Mandate	BEUC recommendations
<i>Article 11a.1(1)</i>		
<p>2. Member States shall <i>proceed with</i> the deployment in their territories of smart metering systems <i>that assist the active participation of customers only after a positive</i> cost-benefit assessment which <i>clearly assesses and specifies the benefits to customers that arise from the use of smart meters and of signing up for smart meter-enabled offers. The cost-benefit assessment</i> shall be undertaken in accordance with the principles laid down in Annex II. <i>The cost-benefit assessment shall also evaluate the impacts of deploying smart metering systems only for industrial customers.</i></p>	<p>2. Member States shall ensure the deployment in their territories of smart metering systems. <i>Notwithstanding the first subparagraph, such obligation to deploy—</i>Such deployment may be subject to a cost-benefit assessment which shall be undertaken in accordance with the principles laid down in Annex II. <i>In their cost-benefit assessment, Member States may make separate assessments for different categories of customers and customer groups, such as households, small and medium-sized enterprises and industry.</i></p>	<p>BEUC welcomes the Parliament’s proposal.</p> <p>The Parliament’s proposal better guarantees that households will not be required to pay for investments in equipment that would not bring them noticeable monetary benefits.</p>

6. Avoid cross-subsidisation of hydrogen networks from household gas users

Hydrogen will play a key role in decarbonising sectors for which electrification is not a viable or cost-effective option (e.g., some industrial sectors, maritime and aviation).

To produce and deliver hydrogen to relevant end users, production facilities (i.e., electrolyzers) and appropriate infrastructure will need to be built across Europe. Decisions on hydrogen grids should be based on a solid assessment of expected demand and supply to avoid over-investments in the network. The regulatory framework on gas and hydrogen should ensure that this development is financed through network charges that are paid by hydrogen users.

There should not be a cross-subsidisation of hydrogen networks through network tariffs paid by (household) gas users.

Due to the expected reduction in gas demand, it may be cost-effective to repurpose some gas networks to transport hydrogen, but this should be reserved to the specific uses described above. Hence, to avoid households paying the price of the adaptation of the network, safeguards for gas users should be introduced, avoiding the risk of cross-subsidisation of hydrogen networks through gas network tariffs.

How can the Gas Directive improve this situation?

<i>Article 53(-1)</i>		
<p><i>-1. Without prejudice to Article 4 of Regulation [recast Gas Regulation as proposed in COM(2021)xxx], there shall be no cross-subsidisation between current gas grid users and the users of the future hydrogen network.</i></p>		<p>BEUC welcomes the Parliament's proposal.</p> <p>When a single company manages gas and hydrogen networks, there is a risk that the hydrogen network may be in part finance by gas users.</p> <p>This would be inequitable because households, currently users of a gas network, will not be hydrogen users in the future. Hence, there is a risk that these network users would be charged for the cost of a network that will never use.</p> <p>To ensure an equitable transition, any cross-subsidies should be prohibited.</p>
<i>Article 69(4)</i>		
<p>4. The audit referred to in paragraph 2 shall, in particular, verify that the obligation to avoid discrimination and cross-subsidies referred to in paragraph 3 is respected. <i>Without prejudice to Article 4 of Regulation [recast Gas Regulation as proposed in COM(2021)xxx], there shall be no cross-subsidisation between current gas grid users and the users of the future hydrogen network.</i></p>		<p>BEUC welcomes the Parliament's proposal for the same reasons outlined in the line above.</p>

