

1 The future of the gas grids

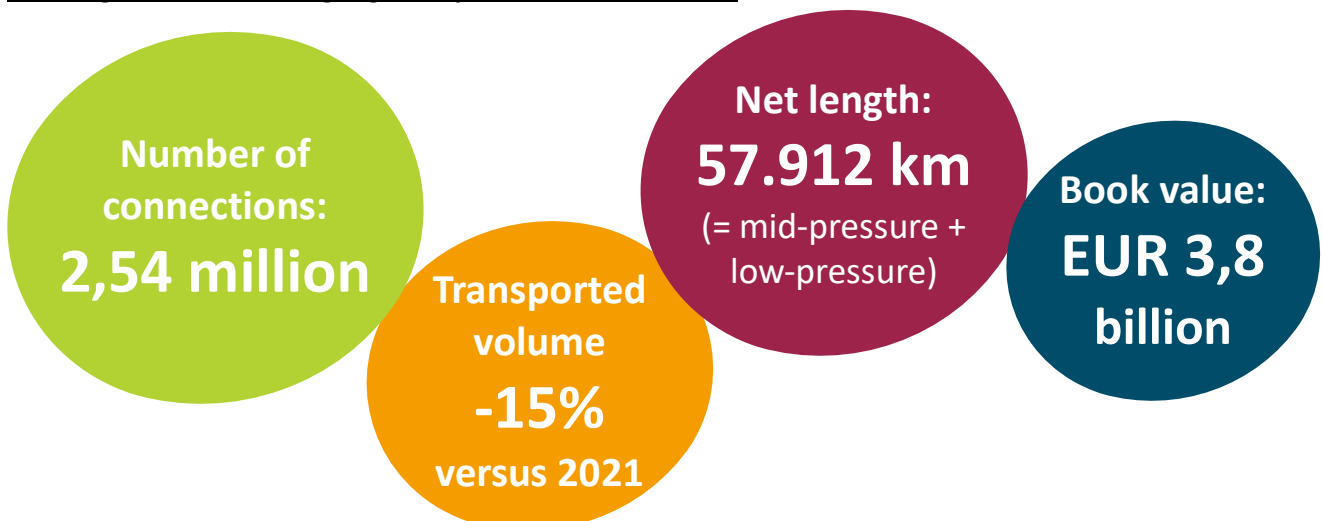
Fluvius has launched a multi-faceted project to determine the future of its gas distribution grids. In a context of decarbonization and electrification, fossil fuels such as natural gas raise some fundamental issues.

Fluvius's 10-year investment plan (2024-2033) focuses on so-called "no regret" investments in the electricity grids, while proposing a "keep it running" approach for investments in the gas activity targeting continuity in safety and reliability of its gas distribution activities. Now, Fluvius has assembled a study group called TOEKAN (TOEKomst van AardgasNetten – the future of gas grids). This team will closely collaborate with the Flemish Energy & Climate Agency (VEKA), because the way forward for the gas grids concerns the whole of the Flemish society, not just Fluvius. Topics to be addressed are a.o. the role of natural gas as a transition fuel in the wider energy transition, the risk of stranded gas distribution assets, district heating as a potentially viable alternative for natural gas, the financial and HR impact of a gas phase-out, the future role of alternative gases (biomethane, hydrogen, ...).

The analysis will have to strike a balance between

1. Technical upkeep: there will be no more expansion investments for gas grids, but at the same time no pro-active dismantling is planned.
2. Exploration of new purposes for existing gas grids: almost 58.000 km of gas pipes might be used for transporting and distributing biomethane, hydrogen and possibly other alternative gases. This part of the study will be a joint effort by Fluvius, the Flemish authorities, gas transport company Fluxys, electricity transmission operator Elia, sector federation Synergrid and others. Pilot projects will allow the parties involved to gain valuable knowledge and experience.
3. Anticipating on the financial impacts: even though the gas grids will be in use for a long time (possibly carrying new gases), we have to anticipate the financial impacts of a gas grid that is too extensive for its future use and customer base. Therefore, Fluvius starts the consultation with its regulator VREG in order to investigate tariff mechanisms for an accelerated depreciation and/or decommissioning of the gas distribution grid.

Some figures on Fluvius's gas grid as per 31 December 2022:



2 Nine policy recommendations



2024 will be an important year of elections in Belgium. With federal and regional elections in June, and local elections in October. To inform present and future policy makers about Fluvius's priorities for the next legislative periods, we have compiled 9 policy recommendations for the Flemish utility infrastructure. Unsurprisingly, the energy transition and climate adaptation take up a central position in these recommendations.

Our recommendations:

- (1) **create the preconditions needed to bring about the energy transition**: our top priority is to expand and reinforce the electricity grid so that we can cater for the energy needs of households and industry. Therefore a stable and integrated general energy policy would be welcome. Eliminate existing obstacles in permitting. And ensure easy access to the capital markets for Fluvius.
- (2) **align decisions about the future of the gas grids with the policy on housing renovations**: the Flemish Region has a dense gas distribution grid with well over 2,5 million end consumers. We think that every decision on the future of gas in Flanders should be taken in line with a master plan on housing renovation – the speed of renovation will to a large extent determine the phase-out planning for natural gas.
- (3) **ensure a stable market functioning and pay attention to flexibility**: develop new services and products that make use of the 15 min data delivered by the digital meters; create simple and transparent processes and data exchanges between market parties; all this while safeguarding a stable regulatory context. Grid flexibility should be a key factor in tomorrow's grid management. Fluvius is in favour of "droop control"¹.
- (4) **realize the maximum potential of district heating in Flanders**: the current regulation of district heating and its financing mechanism need to be thoroughly revised in order to realize the ambitious Flemish objectives in this respect. Fluvius with its expertise is well positioned to take up the role as district heating grid operator.
- (5) **evaluate the synergy benefits between different utilities**: climate change is a huge challenge for the water companies as well. If we want to keep utility bills affordable, we need to explore the utmost

¹ 'Droop control' is a locally based, automatically applied mechanism that adjusts the production power in function of local voltage detection, so that the local voltage remains within technically permissible limits.

synergy benefits, both technical and regarding governance structures. The joint installation of digital metering for electricity, gas and water is a fine example.

- (6) **endorse the municipalities in their role as key players in the management of wastewater and rainwater**: local authorities are ideally placed to assess measures for a sustainable and efficient management of both wastewater and rainwater. Fluvius teams up with them in coordinating and implementing these measures in view of restoring the natural water cycle. We would like to see the subsidy mechanisms aligned with the EU objectives set in this area.
- (7) **make sure that Fluvius can continue to perform its social tasks for which the right expertise and experience are crucial**: we ask the Flemish authorities to take Fluvius's expertise into account when determining the scope of permitted activities for Fluvius. E.g.: public lighting, social supplier and others.
- (8) **build one single fast data network in the whole of Flanders**: our ambition is to realize a fast and open-access data network at the lowest cost for the Flemish society. Wyre, our joint venture with Telenet, has been established with that aim. But cooperating with other telecom infrastructure operators can only bring benefits to the telecom operators, the end consumers and Flanders as a whole.
- (9) **finance public service obligations with public resources from the Flemish authorities**: today, Fluvius is responsible for a number of social and ecological public service obligations (PSOs). But PSOs' costs take up 32% of the distribution grid fee. That is why we propose to finance PSOs through public resources as much as possible.

These ideas and proposals will form the starting point for the upcoming discussions with our stakeholders. Fluvius is convinced that they are a highly valuable input for policymakers in the next few years.

3 Fluvius is a Great Place To Work



Early December 2023, Fluvius received the Great Place To Work® (GPTW) distinction. With a score of 74% we are now well above the 70% threshold for obtaining GPTW label. Last year's score was 66%.

The GPTW label is awarded to companies that demonstrate a clear commitment to a positive work environment. It proves Fluvius's ability to foster great employee experiences and sets us apart in today's challenging job market.

The 2023 score is the result of a detailed survey amongst Fluvius's 5.666 employees (with a participation rate of 87%) and an independent, external audit of the company culture and employee satisfaction.