

To: Director-General Petriccione, Director Runge-Metzger, Mister Coron,

CC: Deputy Director-General Borchardt, Director Sikow-Magny, Energy Attaché Richter

Subject: revision of the Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC

Brussels, 10 September 2020

Dear Director-General Petriccione,

Dear Director Runge-Metzger,

Dear Mister Coron,

We, the undersigned organisations representing the EU gas industry, would like to express our views on the initiative of the European Commission to revise the Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions (hereinafter – MRR) as announced on its web-site¹. We believe that a revision of the MRR should be considered as an opportunity to incentivise emission reduction in the EU ETS industries and speed up decarbonisation of the gas sector in line with the Green Deal objectives.

From 2021 industries will enter the 4th phase of the EU ETS, which will require them to implement additional decarbonisation measures. For a number of industrial processes (e.g. steel and cement production), access to and increased consumption of renewable, decarbonised and low-carbon gases would be the only possible way to decarbonise quickly. We believe that according to the basic idea of the EU ETS such individual decarbonisation efforts of the EU ETS Operators should be appropriately recognised. In particular, the MRR should allow EU ETS Operators to confirm the fraction of new gases (e.g. hydrogen, biomethane) in their fuel mix by tradable certificates based on guarantees of origin (hereinafter – GOs) which could possibly include sustainability information.

We understand that this mechanism is already presented in Article 39(4) of the MRR draft for biogas as a methodology based on '*purchase record of biogas*' and that the term '*purchase record*' already includes tradable certificates. However, it would not be workable, if in parallel another mechanism described in Article 39(5) of the MRR draft is applied. The latter is based on calculation of an average share of biogas in the gas networks ('*average emission factor*'), which means that EU ETS Operators would lose control of their actual gas consumption and would not be rewarded for their individual decision to purchase renewable and low-carbon gases, thus for contributing to more investments in these technologies and greater emission reductions as intended in the EU ETS. They will not be motivated to decarbonise their energy mix and would only have a choice to retrofit their plants or buy EU ETS allowances at possibly higher costs. At the same time, EU ETS Operators that do not invest in cleaner technologies and more sustainable processes/ clean energy procurement, will unfairly benefit from the application of this mechanism, and most likely will not take any additional carbon abatement measures.

According to the MRR draft Member States are allowed to choose between these two completely different mechanisms which is not a common practice in any other energy vector. If this approach is introduced in the EU, it will disrupt a level-playing field between EU ETS Operators active in different

¹ We are referring to this public consultation: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12104-Revision-of-the-EU-Emission-Trading-System-Monitoring-and-Reporting-Regulation-MRR->

Member States, could lead to undesirable relocation of their production, distort the competition in the EU ETS market by de-coupling the financial exposure of the EU ETS Operators from their individual behaviour and put at risk effective functioning of the internal gas and GO markets (given that EU ETS Operators will have no incentives to decarbonise their energy mix via purchase of biogas and respective GOs).

The solution to this issue is to ensure that for recognition of new gases only a single, fair, market-based and robustly established mechanism will apply across the EU, i.e. the one which will be based on tradable certificates such as GOs and foreseen in Article 39(4). In the short term it will give EU ETS Operators more flexibility to choose the most suitable decarbonisation solution (next to retrofitting of the industrial installation and purchase of CO₂ emission allowances) and will give EU ETS Operators immediate access to a Europe-wide market of new energy carriers which will be paramount particularly for decarbonising the EU steel and cement industries. In the long term it will help recognise the climate value of renewable, decarbonised and low-carbon gases, promote most efficient technologies for their production, incentivise their consumption and develop a pan-European market for GOs. Thus, it needs to be implemented quickly and in a workable manner across the EU.

Therefore, we suggest removing paragraph 5 of Article 39 from the MRR draft and changing the last subparagraph of Article 39(3) accordingly. We also suggest clarifying and defining the meaning of '*purchase record*' in Article 39(4) to ensure a European-wide level playing field. These changes will lead to greater harmonisation in the regulatory framework and avoid technical barriers for the functioning of the internal EU gas and ETS markets.

We hope you will find this letter useful and remain available to discuss it in more detail.

Yours sincerely,



1. Eurogas
2. European Biogas Association
3. European Network of Transmission System Operators for Gas
4. European Federation of Energy Traders
5. Gas Infrastructure Europe