

EBA key policy asks on traceability mechanisms for biomethane

One of the key elements of an enabling policy framework is creating a European market for all renewables. The EU has already created well-functional trading conditions for renewable electricity. The gas sector needs similar easiness to trade volumes and guarantees origin (GOs) of renewable gases across borders. The RED II made the introduction of GOs (article 19) for renewable gases mandatory but it leaves great uncertainties for market players with regard to the implementation and content of the GOs, and the acknowledgement of a GO as a proof of biomethane purchase in other regulations, such as EU ETS or support schemes and quotas.

Moreover, the RED II has expanded the sustainability and GHG reduction criteria for biogas/biomethane and other biomass fuels from transport to all energy uses (Art. 29 and 30). To show compliance with these criteria, the RED II provides two options: follow a national scheme or certification by so-called “voluntary certification schemes” which must be recognized by the European Commission. Certification of compliance with sustainability criteria has to be based on the principle of mass balancing, which implies a certain degree of “physical tracking”. GOs on the other hand can be transferred separately or together with the physical transfer of energy, which is often referred to as “book & claim” principle.

EBA considers that different schemes for certification and traceability of renewable gases such as biomethane (focus of this position) have to be made more practical. Notably the instrument of GOs should be enhanced and its role should evolve beyond its current, limited function foreseen in RED II. This might require some legislative changes on EU level, notably articles 19, 29 and 30 of RED II. The revision of GOs should facilitate (cross-border) trade of biomethane, their recognition under different policy instruments, thereby avoiding double counting.

1. Harmonized rules, interoperability of systems and cross-border trade

- Current provisions in RED II allowing Member States not to issue GOs to installations that benefit from financial support (such as FIT, CfD, investment aid, tax advantages, ...) should be modified in favour of a harmonized solution: All installations should be able to benefit from GOs. If installations are financially supported (the information on whether financial support was granted is mentioned in the GO which is mandatory according to RED II and the draft standard), the monetary value of the GOs should be taken into account in the support mechanism according to the options provided in the RED2. The GOs must be transparent and should encompass all information on support mechanisms or other promotions that were already granted.
- From the single market perspective, it is evident that the format and the contents of GOs should be the same across all Member States. European coordination (via CEN EN 16325, platforms like ERGAR/AIB/CertifHy) should ensure that registration schemes are interoperable.
- The creation of a trans-European market for renewable and low-carbon gases should go along with efforts to foster compatibility of regulatory frameworks in different countries in order to avoid market distortions, ensure a cost-effective deployment and create a level-playing field for cross-border trade of sustainable biomethane.

- The validity period of GOs should be extended beyond the 12/18 months foreseen in art 19 (3) of RED II. This would contribute to the development of a liquid market sending relevant price signals for market actors decisions.

2. Enhanced role of GOs and interplay with “sustainability certificates”

- The current framework in RED II should be simplified by merging/combining as far as possible different types of certificates in one which can be easily traded and can be used for different purposes, with GOs as a backbone instrument. This would mean a “basic GO” with option fields to upgrade it into a sustainability certificate. At a minimum, GO and sustainability certificates should be compatible and complementary, meaning that they must be possible to use together in a complementary manner to prove biomethane purchase for various uses. Different uses include for instance:
 - Current application, as foreseen in RED II, mainly by suppliers or (large) final customers to proof the source/origin of the energy. (**disclosure**)
 - Use by obliged parties to show compliance in the context of the **14% RES in transport obligation** (including 3,5% sub-target for advanced biofuels/biogas)
 - Use by **ETS operators** to benefit from an emission factor of zero and exemption to surrender allowances for purchased green gas volumes
 - Use for **other, sector-specific quota / minimum shares / incorporation obligations** for renewable gases which could be put in place in EU legislation as announced in the sector integration strategies
 - Use of GOs for compliance with **CO2 emission standards for vehicles** (recognizing the GHG reduction through bioCNG/bioLNG used in gas vehicles)

For most of these uses biomethane must show compliance with the sustainability criteria, therefore it is crucial that GO and sustainability schemes can work together.

- One option of combining GOs and sustainability certificates could be to use the mass balancing-based sustainability certification process defined by RED II only for the upstream part of the value chain, i.e. “physical tracking” of the feedstock up to the point of production. Once the renewable gas is produced and injected in the grid or transported by other means, GOs should become the main instrument to carry information. Mass balancing would not be necessary and thus not apply any more. The same approach could ideally be used for a company’s all logistic sites for off grid gas, which would greatly increase the efficiency of renewable gas distribution and trade, where tracking and allocation of renewable volumes could be based on GOs rather than mass balancing in the distribution part. The “sustainability certificate” could be attached to the GO and/or information on compliance with sustainability criteria should be included in the GO based on the “sustainability certificate”.
- The guarantees of origin should also be extended to liquified renewable gas in order to facilitate decarbonization of sectors such as maritime, heavy-duty transport or various industries. Production of biomethane that is liquified at production site is growing fast in Europe, allowing notably to valorize the potential located far from gas grids. This development of liquified biomethane should be further incentivized to be able to serve in particular mobility needs through a proper regulatory framework

(GOs, sustainability certification schemes adapted to liquified gas logistics, support mechanisms ...); however, as volumes of liquified biomethane are still limited, in order to kickstart the market for using renewable gaseous fuels in transport, the use of GOs from injected biomethane for liquified gas end users should be possible. This use should be reassessed regularly, taking into account the evolution of the market.

3. RED III should make sustainability Information in the GOs mandatory

- GOs should **clearly differentiate between renewable and non-renewable energies**. This becomes even more important as GOs might also be introduced for non-renewable low-carbon gases (such as blue hydrogen). This could be implemented through including a “production technology” field in the GO. We welcome that such a clear distinction is foreseen in the draft European standard.
- Most of the different potential uses of GOs stated above are likely to require also information on whether the biomethane, and more in general renewable gases, comply with the sustainability criteria. This information should therefore be included in the GO based on the sustainability certification that has been issued. However, RED II sets different thresholds for GHG reduction depending on the final use (whether bioenergy is used for electricity production, in heating & cooling or in transport). The final use is not necessarily known yet at the moment of issuing the GOs. This problem can be tackled for instance, by completing the relevant information in the GO at a later stage¹ or by including directly the GHG criteria that are respected or not based on the different possible end-use². The draft European standard foresees a voluntary field to enter information on sustainability criteria compliance upon issuance and a reference to the certificate or certification body. This should be made mandatory.

¹ By the moment of GO cancellation, the end use should be known and the end user could easily calculate the final GHG emission saving, based on the GHG value on the GO. This could also be done automatically by the GO system upon cancellation and recorded on the cancellation statement, based on information provided by registered users of the final end-use.

² At the GO emission, the different global LCA including the consumption can be theoretically calculated based on the different possible end-uses by adding the emission factor linked to each end-use (compression for mobility, combustion in boiler for heating etc....)