European Biogas Association

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RECOMMENDATIONS

COMMISSION IMPLEMENTING REGULATION (EU) .../...
of XXX
on rules to verify sustainability and greenhouse gas emissions saving criteria and low indirect land-use change-risk criteria

EBA analysis for off grid areas and mass balance

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 renewable gases across borders and deliver 35 billion cubic meters of biomethane by 2030. Now more than ever, geopolitical considerations are highlighting the need to scale up domestic production of secure, affordable and renewable gas.

IR good provisions	
Article 18 paragraph 3. For the purpose of tracing consignments of liquid or gaseous fuels in an interconnected infrastructure and subject to the same mass balancing system, the sustainability and GHG emissions saving characteristics and the other information as described in paragraph 1 shall be registered in the Union database ***at the first entry point and registered out as consumed at the point of final consumption***. If gaseous fuels are withdrawn from an interconnected infrastructure and further transformed into gaseous or liquid fuels, the point of final consumption is considered to be the point of final consumption of the final gaseous or liquid fuels. In such a case, ***all intermediary stages from the withdrawal of the gaseous fuels from the interconnected infrastructure until the point of final consumption of the final gaseous or liquid fuels have to be registered in the Union Database.***	Article 19 paragraph 2. Letter (e) economic operators shall be required to keep separate mass balances for raw materials and fuels which cannot be considered part of a mixture. ***Transfer of information about the sustainability and GHG emissions saving characteristics and sizes between different mass balances shall not be allowed.*** Pursuant to subparagraphs (a) to (c), raw materials inside biofuels, bioliquids or biomass fuels production facilities are considered to be part of a mixture. Therefore, the requirement to keep separate mass balances shall not apply to such facilities and a single mass balance can be kept;

The creation of a European market for biomethane 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 trade. For this reason, **the direction of the implementing regulation is correct** as it recognizes the gas interconnected infrastructure as a **single logistical facility and single mass balance system**. This is a first step in the right direction towards an integrated single market and it is a reflection of the good practice between Sweden and Denmark that agreed to consider their transmission gas grid as a single mass balance system[1].

IR conflicting provision	Recital (5) In case of gaseous fuels, ***the EU interconnected grid is considered*** as one single mass balancing system. ***Gaseous fuels produced and consumed off the grid or through isolated local distribution networks are to be considered as separate mass balancing systems.*** Article 2 (18) *'Interconnected infrastructure' means* ***a system of infrastructures, including pipelines, LNG terminals and storage facilities, which transports gases, that primarily consist of methane and include biogas and gas from biomass, in particular biomethane, or other types of gas that can technically and safely be injected into, and transported through the natural gas pipeline system****, hydrogen systems as well as pipeline networks and transmission or distribution infrastructures for liquid fuels;*

[1] https://www.energigas.se/library/2907/biomethane-in-sweden-191107-cw.pdf see pages 17 and 18.

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However, the **European gas network is larger than the interconnected grid**. Geographically there is mismatch between production locations that are well circular embedded (using feedstocks from neighboring farms and agroindustry's) and the availability of grid which is an obstacle to upscale sustainable renewable gas production. There are many off grid areas in Sweden, Finland, Germany, Italy, France, Poland and Ireland that are not connected to the grid. Extending the gas grid to these areas will be long and require considerable investments[2]. The paragraph that explicitly excludes off grid areas from the single mass balance system will be anti-competitive and raise a big obstacle to decarbonisation as it will slow down the delivery of highly performing renewable gases, such as biomethane and bio-LPG. Including consignments of renewable gas to off grid areas under the same mass balance (Virtual pipeline or in French *Gaz Portee*) in RED II should be the normal rule.

Sweden has tackled the challenge of limited gas network by establishing so called 'green gas concept' in which the Swedish transmission grid, LNG-terminals and local distribution grid constitute as a single national mass-balancing system. This simplifies the taxation and ensures equal treatment for different actors no matter where they are located. The green gas concept has been very useful for a country like Sweden, where LNG-terminals, local distribution gas grids and off-grid biogas plants supplements a geographically limited transmission gas network. However, there are still some challenges to solve regarding the physical flow requirements of mass-balance system. Now the green gas concept cannot be applied in EU ETS in Sweden because of the mass-balancing system requirements of the RED2 (=physical distribution of gas). This is a barrier for large biomethane expansion for industry in Sweden, where all the industry facilities don't locate next to transmission grid.

These paragraphs should be amended to clarify that the **European gas network** (i.e., the interconnected infrastructure) is considered as a single mass balancing system. The European network for gas should include interconnected gas pipeline system, **isolated local distribution networks, off-grid biogas plants** as well as **the network of bottles, containers, and tankers for distribution in off grid areas**.

The mass balance system, as it is proposed, requires extensive **physical tracking** of the consignments along all the withdrawals and injections to the final consumption points **at off grid locations,** presented as separate tanks in **figure 1**. The system that EBA is advocating for would reduce the administrative and logistical burdens for the operators as they will not have to physically move the consignments. In the second system **(figure 2) the certificate** (in most cases the guarantee of origin) **will be traded to track the consumption of renewable energy**.

The EBA proposal is in line with the principle of applying a single mass balance to the interconnected infrastructure. It does not change such logic and just stretches the boundaries of the interconnected infrastructure to **the whole gas network**, including storage facilities and off grid distribution networks.

Figure 1 – two distinct mass balance systems

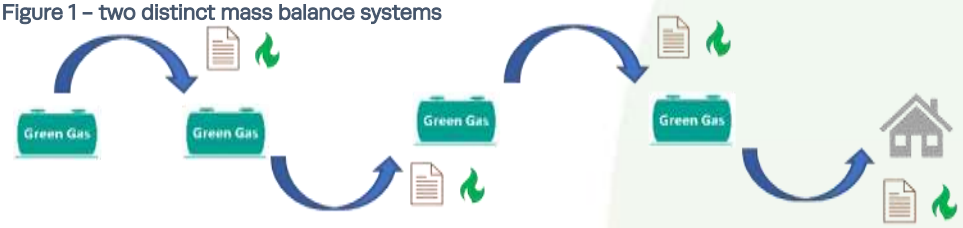

Figure 2 – one single mass balance system for off grid areas

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Lastly, all different 'product groups' are subject to the same rules when it comes to calculating the share of renewable energy in final energy mix as per Article 2 (21) but different 'product groups' operate under different market rules that govern product supply, market entry, competitiveness, affordability, etc. The EBA understands that extending single mass balance to European gas network will respect these differences in market rules for different product groups. The application of the concept of European gas network is mainly relevant to demonstrate compliance with the sustainability and greenhouse gas saving criteria.'

[2] Just Finland+Sweden area equals to 788750 Km_2. Local distribution areas exist, for instance in Stockholm, but they are not connected to the European main interconnected gas grid.