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Recommendations

Revision of the Third Energy Package for Gas

V.2

Bridging energy security and climate change mitigation: A workable EU framework to scale up biomethane integration into gas networks

The European Commission suggests that a timely and significant biomethane scale up will be key to disentangle the EU from Russian gas dependency. It proposed a target of 35 bcm of biomethane production by 2030 in its RePowerEU Communication[1], the equivalent of 10% of today's natural gas consumption.

The European Council echoed this proposal in the Versailles Declaration adopted 11 March 2022 by agreeing to develop biogas[2]. The quick and massive integration of sustainably produced **biomethane** into gas markets is an **essential piece of the European energy security and energy transition**.

The biomethane industry will rise to the challenge. But to deliver on this new ambition, a European operational framework is urgently needed. **Against this background, the revision of the Third Energy Package for Gas ("Gas Package") must enable swift biomethane integration into the gas network and require that the EU gas supply meets GHG emissions savings compatible with the EU climate objectives.**

The EBA welcomes the Commission's proposal published in December 2021 as a positive step. The proposal includes significant provisions facilitating the access of biomethane to the gas networks.

Yet the EBA calls for substantial improvements to make the Gas Package fit for a short-to-long term uptake of biomethane.

I. Clearly define biomethane as a stand-alone fuel to ensure transparency over its role is guaranteed *(Gas Directive proposal, Article 2)*

II. Set an EU target for GHG intensity reduction of the gas supply. This will drive a faster uptake of renewable gases *(Gas Regulation proposal, Article 2bis)*

III. Set out EU-wide rules enabling quick and affordable grid connection of biomethane projects *(Gas Directive proposal, Chapters III to VI)*

IV. Ensure optimised network development for biomethane by providing regional mapping of biomethane potential *(Gas Regulation proposal, Chapter II)*

V. Aim at higher transparency standards by making biomethane supply and use clearly visible to consumers (*Gas Directive, Annex I.5)*

VI. Allow flexibility in the integration of biohydrogen into the gas markets *(Gas Directive proposal, Article 2 and Chapter VII)*

[1] COM(2022) 108 final.

[2] Versailles Declaration, https://www.consilium.europa.eu/media/54773/20220311-versailles-declaration-en.pdf.

I. Clearly define biomethane as a stand-alone fuel to ensure transparency over its role is guaranteed *(Gas Directive proposal, Article 2)*

I.1. Given biomethane is becoming a major piece of the energy system, its role must be clearly understood in the legislation. Biomethane should therefore be defined separately from natural gas and made more visible in the Gas Package.

The proposed definition of natural gas includes "biogas" and "biomethane" (Gas Directive proposal, Article (2)). Natural gas and biomethane are widely understood as different commodities. The new European political ambition and the commodity market on one hand must match with definitions and a clear role of biomethane in law on the other hand.

We recommend **amending Article 2 of the Gas Directive**[3] by removing biomethane from the natural gas definition and applying a specific definition of biomethane, while ensuring consistency throughout the Directive and the Regulation.

II. Set an EU target of GHG intensity reduction of the gas supply that will drive the uptake of renewable gases faster *(Gas Regulation proposal, Article 3bis)*

II.1. The European Biogas Association calls for a higher ambition in the uptake of renewable gases in the Gas Package. This is critical to deliver on the Union's energy and climate objectives as well as on the Commission's target of 35 bcm of biomethane by 2030 (RePowerEU Communication[4]).

In current legislation, there is a lack of clear signal to stimulate renewable gas production. Therefore, we propose to include in a new article of the Gas Regulation[5] **a GHG intensity reduction target of at least 20% of the EU's gas supply by 2030 compared to 2018[6].** This target should include natural gas, hydrogen and biomethane in both gaseous and liquid forms, including when these gases are consumed as feedstock for industrial processes.

This level approximately corresponds to 35 bcm of biomethane in the 2030's gas supply as recommended by the European Commission in its RePowerEU Communication, along with volumes of green and low-carbon hydrogen.

Such target would contribute to predictability and confidence in the gas and biomethane value chains, as well as among public and private investors.

This target would be complementary to the 35 bcm biomethane production target that should be anchored in the on-going revision of Directive 2018/2001 (RED II).

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[3] Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC.

[4] COM(2022) 108 final.

[5] Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005.

[6] As proposed jointly with 10 other industry associations in May 2021, see "Proposal for binding 2030 EU-level targets to lower the greenhouse gas intensity of gas consumed in Europe and increase the demand for renewable gas", May 2021, https://www.europeanbiogas.eu/wp-content/uploads/2021/05/Stakeholders_position-renewable-and-decarbonised-gas-targets-for-2030.pdf

III. Set out EU-wide rules enabling quick and affordable grid connection of biomethane projects *(Gas Directive proposal, Chapters III to IV)*

III.1. Right to inject for project developers. An EU-wide "right to inject" into gas networks for biomethane producers is paramount to an effective and quick integration of biomethane, including production projects that are outside a gas-served area, into the energy markets.

In this regard, **the EBA welcomes the Commission's proposal** of the following rules in the Gas Directive and the Gas Regulation:

- Assessment of grid connection based on technical and economic criteria defined nationally and approved by the competent regulatory authority;
- Firm capacity ensured to biomethane producers by grid operators;
- Cooperation between transmission system operators (TSOs) and distribution system operators (DSOs) to ensure firm capacity.

The role of gas network operators as facilitators of market access is improved as a result (assessment of injection requests, cooperation between network operators).

We call on the European Parliament and the Council to **keep these provisions.**

Such bundle of rules and principles will facilitate an accelerated, steep growth of biomethane integration in the gas network once the revision enters into force. This underpins the medium-term goal of the industry to deliver 10% of today's gas demand with biomethane by 2030.

III.2. Cost-sharing of grid connection. **To deliver on a tenfold increase in biomethane production by 2030, costs of grid connection should be shared with grid operators and financial contribution of producers should be capped**.

The EBA asks for the introduction in the Gas Directive of the **principle of cost sharing between producers/project developers and network operators** with detailed rules defined by the National Regulating Authority (NRA).

III.3. Cost-effective grid reinforcements borne by grid operators. Grid reinforcements made necessary by increasing volume of biomethane should never be a financially burden for biomethane producers.

Targeted grid reinforcements are made necessary when continuous, decentralized injections of biomethane exceeds the local demand. They ensure that the produced biomethane can be injected and supplied without interruption. These reinforcements can be either reverse flow units at a junction between the distribution and the transmission grids; or network meshing in the distribution grid, i.e., linking together two secondary grids serving two different municipalities.

We recommend setting out **in the Gas Directive**:

- That grid reinforcements must be assessed by network operators based on transparent technical and economic criteria approved by the regulator, similarly to what is proposed for grid connections.
- Grid reinforcements should not be borne by biomethane producers.

This and cost-sharing of grid connection are warranted by societal interest based on both the urgent need for energy security and the positive externalities of biomethane production among which: reduction in greenhouse gas emissions in agriculture and end-use sectors, replacement of chemical fertilizers with a local organic one, increased sustainability of farms, and reduced cost of waste treatment.

These measures will rightly improve the business case of biomethane producers. Many of them are expected to be farmers seeking to improve their farming practice and to have an additional revenue stream. Putting the full financial costs of grid connection and grid reinforcement upon them would jeopardize a rapid development of biomethane production across Europe.

III.4. Tariff discounts. The EBA **supports the principle of an exceptional tariff discount at the injection point for domestic renewable gases** (Article 16, Gas Regulation). This can be an extra measure to support the business case of biomethane projects.

- Considering that the cost-reflectiveness of network tariffs is an important principle in the gas market design, this measure should be set *only for a limited period of time* in the context of addressing urgent energy security needs. After the implementation period, the injection fee will be the financial contribution of the producers to the costs of the network.
- *The level of discount and the scope (conditions regarding the size of production facilities) should be decided at national level by the regulator* considering other national support measures in force.
- The impact should be monitored and reported on by the regulator.

III.4. Certification of biomethane consistent with the RED. The "certification" proposed by the Commission (Gas Directive proposal, Article 8(1)) should be consistent with the Renewable Energy Directive 2018/2001 (RED II).

Consistency between Fit-for-55 files is critical for an effective EU framework. Co-legislators should clarify that the exemption from sustainability certification granted under Article 29 of the RED II is reflected in Article 8(1) of the Gas Directive (installations below the capacity threshold set in Article 29(1) of Directive 2018/2001). The administrative and financial burden of a full sustainability certification of small installations could exceed the benefits.

IV. Ensure optimised network reinforcements for biomethane based on regional mapping of biomethane potential *(Gas Regulation and Gas Directive)*

IV.1. A cost-efficient approach to grid reinforcements for biomethane integration based on a regional mapping of production potential and demand forecast. A regional mapping of biomethane production potential should be performed in all Member States as a basis for project development and the assessment of grid reinforcement needs.

This mapping exercise should:

- Involve network operators, regional authorities, public energy agencies and national biogas associations;
- Be validated by the energy regulator;
- Be performed within the 2 years after entry into force of the Gas Package;
- Be reviewed regularly in view of development of new production pathways, i.e. gasification of biomass.

This mapping will be a sure foundation for the TSOs and DSOs to identify the needs for grid reinforcements in short, medium and long-term, with the oversight of the NRA.

This will also facilitate fast-track development of production capacities as it will be a consensual basis for project development.

IV.2. Mandatory cooperation among network operators. TSO and DSOs must cooperate in planning and implementation of grid optimization to integrate quickly and cost-efficiently the biomethane production potential

- *The EBA supports the involvement of DSOs in energy scenario building* (the "joint scenario framework" proposed by the Commission, Gas Directive, Article 51(1)) *and in network planning* ("national development plans", Gas Directive, Article 51(1)). This will ensure that these exercises reflect the actual potential of local biomethane and biohydrogen injection.
- *The EBA supports the proposed obligation of cooperation between TSOs and DSOs to optimize the integration of renewable gases in the gas system* (Gas Regulation proposal, Articles 18 and 33). This is a consequence of the need for grid reinforcements, including smart gas grids able to manage different sort of gases and many injection points.

V. Aim at higher transparency standards by making biomethane supply and use clearly visible to consumers *(Gas Directive proposal, Annex I.5)*

V.1. Disclosing the share of renewable gases, including biomethane, to consumers will increase their awareness about the uptake of renewable gases. This will contribute to societal support for biomethane as a renewable energy produced within a local circular economy.

The EBA welcomes the proposal to introduce a product-level disclosure of the share of renewable gas purchased by the final customer (Gas Directive proposal, Article 15 and Annex I.5), including when a mixture of gases is supplied.

The disclosure requirements should be even more ambitious:

- *In details:* Suppliers should be required to **disclose specifically the shares of biomethane** and renewable hydrogen in both the billing information and the information on their national supply.
- *In scope:* Such disclosure **should also apply to pre-contractual information**.

V.2. The Directive should also be more specific about the scope of "*CO2 emissions resulting from the gases supplied by the supplier*" (Annex I.5 in the Gas Directive proposal) **to prevent diverging practices that would be detrimental to comparison and understandability by consumers**.

- For renewable biomass fuels, like biomethane, we suggest introducing a link to the calculation rules set in the RED II which are based on life cycle emissions;
- For gases of fossil origin, it should be specified which values or which method for calculating greenhouse gas emissions to be used for fossil gases.

V.3. The EBA supports the proposed use of Guarantees of Origin (GoO) to disclose the share of renewable gases to consumers. Yet current inconsistency between the proposed Gas Package and the proposed revision of the RED II prevents practical implementation. The RED III proposal and, where necessary, national legislation should be modified so that GoOs can be used according to the Gas Directive proposal (disclosure to consumers).

The proposal raises some **issues about the combined use of the GoO system and the Proof of Sustainability by suppliers:**

- According to the proposal of recast Renewable Energy Directive, GoOs can no longer be used to disclose the origin of the renewable gases to final customers once they are cancelled upon the mandatory registration in the Union Database.
- Issuing a GoO and a Proof of Sustainability (PoS) for the same biomethane consignment bears the risk of claiming the biomethane for different purposes.
- Additionally, there is legal gap that prevents harmonized working of GoOs and Proof of Sustainability (PoS) at EU-level. The verification of the renewable origin and sustainability characteristics of renewable gases follow different principles depending on whether a GoO or a PoS is issued for the same renewable gas consignment. The competent authorities and Voluntary Schemes, which are responsible for the issuance of GoOs or PoS respectively, have no legal framework to cooperate with each other to harmonise the systems.
- In its position on the RED II revision, the EBA supports the creation of one single traceability tool in the form of an upgraded GoO (a 'GoO+'). A GoO+ with information on sustainability or with a PoS attached to it should be the main instrument to trace renewable gas once it is produced and injected in the grid or transported by other means. A GoO+ can therefore be used for both:
  - Record of sustainability characteristics needed for the target compliance with no risk of double-counting
  - Disclosure to consumers

  This would facilitate trade of biomethane and its recognition under different policy instruments.

V.4. For the disclosure on the overall supply of the gas suppliers, risks of double-counting for "gases obtained via a gas exchange or imported" from outside the EU must be tackled (Annex I.5 in the Gas Directive proposal)**.**

The EBA recommends not allowing the use of aggregate figures and allowing import of GoOs only from countries where national legislation ensures them to be the sole proof of the represented attributes.

VI. Allow flexibility in the integration of biohydrogen into the gas markets *(Gas Directive proposal, Article 2 and Chapter IX)*

VI.1. Hydrogen from biological sources (biohydrogen) should be included in the definitions of gases (Gas Directive, Article 2).

Biohydrogen is a renewable gas that can be already produced with proven technologies[7]. The Commission's proposal suffers from a legal flaw in this regard as biohydrogen does not fit into any of the definitions proposed.

VI.2. The Gas Package should provide greater flexibility in distribution modes of biohydrogen to facilitate its integration into gas markets.

[7] Biohydrogen can be produced by fermentative processes, electro-biohydrogenation and thermo-chemical technologies like Biomethane Steam Reforming (BMSR) from biogas facilities, pyrolysis or biomass gasification. Biohydrogen from biogas plants can be produced mainly by means of biomethane steam reforming as well as dark fermentation.

Biohydrogen supply is a nascent market. Its growth will depend on meeting local needs for hydrogen (for transport and industry) quickly and cost-effectively. Different models of biohydrogen distribution should be allowed on short and long-terms (after 2030):

- Blending into existing gas distribution networks based on clear definitions of roles and liabilities in the management of gas and hydrogen quality;
- Dedicated distribution hydrogen networks that can be operated by existing gas DSOs;
- Private direct pipelines operated by a producer of hydrogen for a commercial consumer.

Imposing the same conditions on all hydrogen pipelines without considering local specificities could hamper the development of economically viable renewable hydrogen markets.

The European Biogas Association remains open to dialogue and collaboration to improve the Gas Package proposed by the Commission and to share with the co-legislators the expertise and experience of our members, including biogas producers, end-users and gas network operators.

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About the EBA

The **European Biogas Association** is the voice of renewable gas in Europe since 2009. EBA advocates the recognition of biomethane and other renewable gases as sustainable, on demand and flexible energy sources that provide multiple knock-on socio-economic and environmental benefits. Supported by its members, EBA is committed to work with European institutions, industry, agricultural partners, NGOs and academia to develop policies which can enable the large-scale deployment of renewable gases and organic fertilisers throughout Europe, supported by transparent, well-established sustainability certification bodies to ensure that sustainability remains at the core of the industry. The association counts today on a well-established network of over 200 national organisations, scientific institutes, and companies from Europe and beyond.