

EBA POSITION PAPER – NET ZERO INDUSTRY ACT

Net Zero Industrial Act should be adapted to the biogas value chain to support achievement of REPowerEU's biomethane objective

The Net Zero Industrial Act (NZIA)¹ proposed by the European Commission is a timely **initiative to strengthen EU's autonomous manufacturing capacity of renewable energy technologies, as well as the recognition of biogas and biomethane among the "strategic net-zero technologies"**.

In 2022 the **REPowerEU's action plan** set the **objective of 35 bcm (370 TWh) annual biomethane** production by 2030, a twelve-fold increase from 2020 production volumes. The NZIA proposal aims to facilitate the roll-out of the necessary industrial capacity to achieve REPowerEU's objectives while improving the EU's strategic autonomy. However, **to ensure a real impact and support effectively the achievement of the 35 bcm biomethane objective the proposal would benefit from a set of targeted improvements.**

To this end, the European Biogas AssociationA proposes to integrate **6 main actionable improvements:**

- 1. Set biomethane production target and adjust the manufacturing capacity ambition to support its achievement** (Article 1, recitals 5 and 17).
- 2. Incentivise manufacturing capacity expansion by adapting criteria for net-zero strategic projects to the specificities of renewable energy technologies such as biogas and biomethane** (Article 10).
- 3. Enable bio-CCU roll out to enhance climate change mitigation by recognising it as „strategic net-zero technology“** (Annex I).
- 4. Facilitate public support to EU-based biogas and biomethane by focusing on the "resilience" contribution of the sector** (Article 19).
- 5. Ensure regulatory coherence and legal certainty regarding environmental sustainability requirements** (Article 19).
- 6. Sustain effective implementation by involving net-zero industries** (Article 29).

¹ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act).

1. Set biomethane production target and adjust the manufacturing capacity ambition to support its achievement (Article 1, recitals 5 and 17)

The NZIA proposal sets a manufacturing capacity ambition for the “strategic net-zero technologies”. The recognition of biogas and biomethane production among these technologies is a positive step in line with the REPowerEU’s plan. However, the proposal lacks a goal and concrete measures that would effectively address the needs to expand the manufacturing capacity of the biogas and biomethane industry.

The NZIA would be reinforced by including an EU-binding objective of biomethane production, together with the recommendations presented below.

The EU manufacturing capacity benchmark should be adjusted accordingly, taking into account that the sector starts with a solid EU industrial base but still needs substantial expansion capacity- and country-wise.

2. Incentivise manufacturing capacity expansion by adapting criteria for net-zero strategic projects to specificities of renewable energy technologies such as biogas and biomethane (Article 10)

The proposed criteria to qualify as net-zero strategic projects (Article 10) are **not suitable for the biogas and biomethane sector** for two reasons:

1. The biogas and biomethane sectors have a predominantly European industrial base: all significant components and equipments are produced in the EU, which detains the technological leadership in this field;
2. Production plants have a specific make up.

Manufacture of biogas and biomethane technologies **needs to be substantially increased in capacity and geographically spread out to achieve the REPowerEU’s biomethane objective**.

To match the Regulation with the industrial needs, EBA recommends:

1. **Adding a specific criterion for plants manufacturing equipment for biogas and biomethane production and biogenic CCU**. This criterion should value the creation of new manufacturing capacity *at the level of the Member State concerned*.
2. **Extending the scope of net-zero strategic manufacturing projects to biogas and biomethane production plants**.
 - Unlike other renewable technologies, technology manufacturing in our sector delivers only components of a larger energy production facility, i.e., the biogas/biomethane plant that will ultimately produce biogas or biomethane as the major “final product”. The scope of Article 10 should be therefore extended to renewable gas production facilities.
 - To ensure a strategic dimension of such projects, the energy output capacity of the project should increase significantly the domestic renewable energy supply of the region where it is located.
3. **Enlarging the requirement for “low-carbon and circular manufacturing practices” to biogas and biomethane** produced on-site or off-site (Article 10(b) point (iv)). Procurement of biomethane via gas networks can be done reliably using regulated market-based instruments such as Guarantees of Origin and Proofs of Sustainability. This improvement would create an additional opportunity for “strategic net zero technology” manufacturing plants to apply circularity to their energy consumption.

3. Enable bio-CCU roll out to enhance climate change mitigation by recognising it as “strategic net-zero technology” (Annex I)

The Net Zero Industry Act (NZIA) distinguishes between “net-zero technologies” and “*strategic net-zero technologies*”. The technologies part of the latter category benefit from priority treatment from national authorities in terms of permitting procedures (Article 13), public procurement (Article 19) and access to financing (Articles 14 and 15). They are also supported by a 40% EU annual manufacturing capacity target (Article 1(2)a). However, at present the climate mitigation potential is not recognised and **biogenic CCU is not listed as “strategic net-zero technologies” in Annex I.**

Far from producing only renewable energy, biomethane production facilities are circular economy hubs, turning organic materials into a renewable energy carrier (biomethane), organic fertilisers (digestate) and also industrial gas (biogenic CO₂). The upgrading of biogas into biomethane is currently the most accessible source of biogenic CO₂ that is almost “ready-to-use”.

Biogenic CCU should be recognised as “strategic net-zero technologies” because:

- *It displaces use of fossil CO₂* as it can be utilised in greenhouses, chemical industries and renewable fuel manufacturing, among other end-uses, as replacement of fossil-based equivalents. Should each biomethane plant implement CO₂ capture for its utilisation, 35 bcm biomethane (i.e. the REPowerEU objective) would displace 46 Mton of fossil CO₂, the CO₂ equivalent of the GHG emissions of Sweden that is.
- *It can increase the resilience of the EU industries* by creating local and circular industrial ecosystems.
- *It is a mature technology* capable of meeting stringent CO₂ quality requirements.

4. Facilitate public support to EU-based biogas and biomethane by focusing on the “resilience” contribution of the sector (Article 19)

The “*sustainability and resilience contribution*” to be incorporated in public procurement and support schemes is a major provision in the proposal. Yet the proposed design is not fit for the biogas and biomethane sector.

1. Bundling together sustainability and resilience for all renewable energy sector may not make sense, especially for sectors whose sustainability performance is already regulated by EU law. This is why **EBA recommends separating sustainability and resilience in the tender design by default**. This will facilitate the tender design by public authorities for all strategic net-zero technologies.

2. Public authorities should be able to define the “contribution to resilience” based on the significant EU based origin of the product. This would fairly support the final products of value chains already based in the EU without major dependence on a single third-country supply source.

5. Ensure regulatory coherence and legal certainty between NZIA and applicable EU legislation for environmental sustainability (Article 19)

The Commission proposal states that public procurement procedures should incorporate into the tenders a “*sustainability and resilience contribution*” that includes, among other criteria, “*environmental sustainability going **beyond** the minimum requirements in applicable legislation*”. This criterion should be used by public authorities when procuring renewable energies (Article 19) and when designing schemes to support renewable energy production (Article 20) or consumption (Article 21).

Yet it is not defined in the proposal and the wording is unclear.

EBA supports leveraging public demand to help renewable energy industries to scale-up production and achieve economy of scale. However, **sustainability of biogas and biomethane production is already heavily regulated** by the Renewable Energy Directive 2018/2001, which has just been revised and set incremental requirements. New competing requirements across the EU would be detrimental to the achievement of the REPowerEU's 35 bcm biomethane objective for 2030.

The European Biogas Association recommends regulatory coherence and legal and business certainty by inserting a dynamic reference to the Renewable Energy Directive for biomass fuels.

6. Sustain effective implementation by involving net-zero industries (Article 29)

NZIA sets up a **new Net Zero Europe Platform** in charge of assisting the European Commission and Member States in making the best out of the Regulation proposal. It includes a significant role of advisor which could be critical for the implementation and the dissemination of best practices at national level.

Getting ground-based insights from the industries will help in driving the change and achieving effective results *in the areas of permitting, financing support, access to market and workforce training*. The net-zero technology industries are also diverse in structure, maturity, and needs.

This is why EBA recommends that the Net Zero Europe Platform should always consult industry representatives in the aforementioned areas, with particular attention to the specific characteristics of each net zero strategic value chain.

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.

Contact

Giulia Laura Cancian – EBA Secretary General cancian@europeanbiogas.eu

Anthony Lorin – Policy Officer lorin@europeanbiogas.eu