3 November 2026

EBA POSITION PAPER

EU ETS phase 5 review (2031–2040)

1. Introduction

The **European Biogas Association** (EBA) supports the objective of aligning the EU Emissions Trading System (EU ETS) with the Union's legally binding 2040 climate target and climate neutrality by 2050. A liquid, predictable and scarcity-driven carbon market is key to incentivise switching away from fossil gas, reward emissions reduction and give investors a durable signal.

The proposed linear reduction factor (LRF) of 3.7% in 2031–2035 and 1.7% from 2036, combined with up to 260 Mt of international credits in 2036–2040 and additional allowance issuance for removal procurement, substantially changes the supply management[1]. These mechanisms can smooth the transition and create a removal market, but they must not weaken the carbon price or delay domestic emissions reductions.

Moreover, EBA welcomes the proposal's preservation of zero-rating factor for sustainable biogas and biomethane meeting the Renewable Energy Directive (RED) criteria; its explicit recognition of BioCCS under Article 9c through the Carbon Removal Certification Framework (CRCF); and its support for biogas, biomethane and bio-based fertilisers through ETS revenues.

Beyond its contribution to climate protection, biomethane's wider value to the European energy system reinforces the case for its recognition in the revised ETS. As a domestic and dispatchable source of renewable energy that strengthens security of supply, reduces dependence on imported fossil fuels, provides flexibility to electricity systems and offers a storable energy source for periods of low wind and solar generation.

The final text should make six targeted changes:

1) ensure consistent acceptance of biomethane zero-rating evidence;
2) enable biogas and biomethane plants to directly supply permanent removals (BioCCS) to ETS operators, develop integrated biogenic CO2 value chains, and access targeted funding;
3) adjust the maritime and aviation support rate for biogas and advanced biofuels;
4) ensure that the new investment tools are open to biomethane projects;
5) establish a credible pathway for landfill methane MRV and recognise landfill-gas capture as an abatement measure;
6) and make EU ETS revenues effective to accelerate the transition towards bio-based fertilisers.

Biogenic CO_2 capture is the sector's most distinctive contribution to the climate focus of this review. Biomethane upgrading produces a concentrated CO_2 stream, typically around 96% to above 99% purity. EBA estimates that EU-27 anaerobic digestion could provide about 64 Mt of biogenic CO_2 per year by 2040. In 2025, 120 European biomethane plants had an installed biogenic CO_2 capture capacity of approximately 1.16 Mt per year, with more than 2 Mt expected by 2027. This renewable

[1] European Commission, Proposal COM (2026) 616 final, 17 July 2026.

T: +32 2 400 10 89
E: info@europeanbiogas.eu
www.europeanbiogas.eu
Avenue des Nerviens 85/14
1040 Brussels Belgium
Join us on:

carbon can replace fossil-derived CO_2 in chemicals, e-fuels and other industrial applications, or deliver certified permanent removals when stored in accordance with the CRCF[2].

Digestate adds a complementary climate benefit by substituting synthetic mineral fertilisers. The current European production of digestate could already replace approximately 17% of nitrogen, 25% of phosphorus and more than 7% of potassium fertiliser demand. Replacing part of synthetic nitrogen fertiliser production could also avoid around 2 bcm of natural-gas use and about 10 Mt CO_2-equivalent, subject to appropriate quality assurance, nutrient planning and low-emission application[3].

2. Targeted changes needed in the final text

2.1 Harmonise the evidence accepted for biomethane zero-rating

The legal rule is satisfactory, but its benefit can be undermined if competent authorities and verifiers apply different evidentiary requirements. Biomethane injected into an interconnected gas network is physically mixed with natural gas. Zero-rating therefore depends on an auditable link between the quantity claimed by the ETS installation, RED sustainability evidence, the relevant registry or Union Database records, and any certificate cancellation required for that claim[4].

The proposal empowers the Commission to adopt under Article 14 detailed monitoring rules. Those rules should ensure that equivalent evidence is accepted consistently across Member States and that the same biomethane quantity is claimed only once. The immediate ETS need is harmonised application of the existing evidence framework.

EBA therefore recommends Article 14 implementing framework and the Monitoring and Reporting Regulation (MRR) to establish common EU criteria for the certificates and supporting records accepted for zero-rating network-supplied biomethane. This harmonisation should concern the consistent acceptance of evidence under the existing framework, without introducing additional sustainability conditions or extending the application of RED criteria beyond what the applicable legislation requires. Equivalent sustainability and transaction evidence should receive the same treatment from competent authorities and verifiers in every Member State, while ensuring that the same quantity is not claimed twice.

2.2 Enable biogas and biomethane plants to directly supply permanent removals (BioCCS) to ETS operators, develop integrated biogenic CO_2 value chains, and access targeted funding

The proposal draws an important distinction between the routes through which permanent carbon removals can enter the EU ETS. Under Article 9c, the Commission would purchase domestic CRCF-certified permanent removals generated by BioCCS and DACCS activities, including qualifying BioCCS removals generated at biogas and biomethane plants outside the EU ETS. **Article 14(1a),** however,

[2] European Biogas Association, Biogenic CO_2 from Biogases, September 2025; European Biogas Association, Statistical Report 2025.
[3] European Biogas Association, Exploring digestate's contribution to healthy soils, 2024.
[4] Commission Implementing Regulation (EU) 2018/2066 on monitoring and reporting; European Commission, Guidance Document No 3: Biomass issues in the EU ETS

establishes a narrower direct route, allowing an ETS operator to compensate fossil emissions with domestic permanent carbon removal units generated from the storage of its own biogenic emissions.

Consequently, a standalone biogas or biomethane plant may participate in the central purchasing mechanism under Article 9c but cannot supply its CRCF-certified BioCCS removals directly to an ETS operator for compliance under Article 14(1a). This limits the potential market for decentralised BioCCS projects and makes their access to the ETS removal market dependent on the design and availability of Commission procurement.

An emerging commercial supply base already exists. EBA's 2026 market mapping[5] identifies 176 European biomethane plants with an installed capture capacity of 1.8 Mt of biogenic CO_2 annually, with capacity expected to exceed 2.4 Mt per year across 222 facilities by 2028. These figures cover capture for both utilisation and storage. More specifically for BioCCS, two projects became operational in 2026, and by 2028, around 0.23 Mt of captured bioCO_2 is expected to be directed to storage. Looking further ahead, by 2040, the technical potential of biogenic CO_2 from anaerobic digestion in the EU-27 is estimated at 64 Mt annually[6], which is sufficient to cover more than 18% of the necessary carbon capture to meet the Climate Law objective.

This evidence supports establishing a conditional direct-access pathway alongside central procurement, rather than relying solely on a future review. To address delivery uncertainty and protect environmental integrity, compliance eligibility should arise only after permanent removals have been delivered, independently verified and certified, with quantitative limits and corresponding allowance-supply adjustments designed to preserve the ETS emissions budget and prevent double counting.

EBA therefore recommends amending Article 14(1a) to allow ETS operators to use qualifying domestic CRCF-certified permanent BioCCS removals acquired from third-party biogas and biomethane plants. Every unit used for compliance should be cancelled in the relevant registry and excluded from purchase or recognition under Article 9c or any other compliance claim. Appropriate quantitative safeguards should ensure consistency with the ETS cap and preserve the incentive for operators to reduce their own emissions.

Market access should be accompanied by effective access to investment support. Access to a buyer does not, by itself, finance the investment required to capture and prepare biogenic CO_2 for transport and permanent storage. The sectoral focus of Articles 10cb and 10cc could leave uncertainty over support for capture equipment located at standalone biogas and biomethane plants outside Annex I, even where that equipment forms an indispensable part of an integrated decarbonisation or carbon-removal project.

Articles 10cb and 10cc should therefore expressly allow support for the capture, purification, conditioning, compression and liquefaction of biogenic CO_2 at non-Annex I facilities such as biogas and biomethane plants, where those activities form part of an integrated project that either **delivers CRCF-certified permanent BioCCS removals or supplies verified biogenic CO_2 to replace fossil-derived CO_2 in an Annex I industrial process.** Where CO_2 is used in products or fuels rather than permanently stored, the climate benefit should be treated as fossil-carbon substitution rather

[5] European Biogas Association, Statistical Report 2026.

[6] Guidehouse, (April 2026). *Biogases: Europe's overlooked path to energy independence?*

than as a carbon removal. Funding should remain subject to applicable State-aid rules and safeguards against overcompensation.

The enabling infrastructure should similarly cover both permanent storage and utilisation pathways. The definition of CO_2 transport infrastructure used under Article 3 should encompass infrastructure transporting captured CO_2 for both permanent storage and utilisation. This would ensure consistency with the proposed extension of the EU ETS to the capture, processing and transport of CO_2 for use and avoid regulatory barriers to integrated CCUS value chains, including those involving biogenic CO_2.

2.3 Adjust the maritime and aviation support rate for biogas and advanced biofuels

EBA welcomes the proposed Sustainable Maritime Alternative Propulsion (SMAP) mechanism, under which up to 110 million ETS allowances would be reserved until 2040 to help shipping companies bridge the price gap between conventional marine fuels and eligible sustainable fuels and propulsion technologies, including bio-LNG and wind-assisted propulsion systems. Moreover, extending the ETS to certain vessels between 400 and 5,000 gross tonnage would bring more maritime emissions under carbon pricing and create stronger incentives for smaller-vessel operators to adopt renewable fuels and cleaner technologies.

The inclusion of biogas and advanced biofuels as eligible sustainable maritime fuels under Article 3gaa can create a business case for the biogases sector to reduce shipping emissions, while generating demand for upgraded biomethane supplied as bio-LNG or bio-CNG.

However, two features of the SMAP mechanism could create uncertainty for biogas and biomethane producers:

1. **Article 3gaa(9)(a)** states that the proposal would cover up to 55% of the calculated price difference between eligible biogas or advanced biofuels and the conventional fossil-fuel alternative, compared with 90% for RFNBOs and 80% for low-carbon hydrogen and fuels. The proposal also provides a ten-percentage-point bonus for fuels produced from eligible EU or linked-country feedstocks, increasing the price-gap support for EU-produced biogases to 65%. This category-based difference could nevertheless disadvantage sustainable biomethane even where it delivers strong, verified lifecycle greenhouse-gas savings.
2. The fuel-price difference would be calculated ex post, in the year after the fuel has been consumed, using a methodology that is not yet fully defined. Shipping companies would therefore not know the value of the support when deciding whether to purchase bio-LNG or invest in the equipment needed to use it. Although operators may know that support will be available, uncertainty over the amount makes it difficult to prepare a reliable business case, agree long-term supply contracts or justify investment. This is particularly problematic because ETS savings from sustainable biofuels can already be calculated in advance, whereas the additional SMAP benefit cannot.

To make the mechanism effective, EBA recommends aligning biogas and advanced biofuels with the 90% price-gap support available to renewable fuels of non-biological origin. The implementing rules should confirm that eligible biogas includes biomethane supplied in commercially relevant gaseous and liquefied forms. This change would address a concrete imbalance in the published text without creating a new market instrument.

EBA also recommends giving operators a clearer support value before purchasing decisions are made. The preferred solution would be an automatic allocation of allowances linked to verified volumes of sustainable fuel used. Alternatively, the price difference should be calculated ex ante using historical or forecast prices, or updated regularly—such as monthly—through recognised fuel-price benchmarks. These changes would preserve SMAP's objective while giving shipowners, fuel suppliers and investors the certainty needed to commit to bio-LNG and other sustainable maritime solutions.

For aviation, EBA welcomes the fact that eligible bio-SAF physically delivered to certain small-island or outermost-region airports could receive support covering 100% of the remaining price difference. The support would be available until 31 December 2040, helping make advanced bio-SAF more competitive with fossil kerosene and providing greater certainty for producers and airlines. However, **Article 3c(6)(a)** states that the ETS would cover 50% of the remaining price difference between fossil kerosene and eligible advanced biofuels for aviation with a zero-emission factor. This could increase to 60% where the fuel is produced using feedstock sourced in the EU or another eligible country. Therefore, EBA recommends adjusting the threshold with any other eligible sustainable aviation fuel (i.e. hydrogen) that is not derived from fossil fuels.

2.4. Ensure that the new investment tools are open to biomethane projects

EBA welcomes the Industrial Decarbonisation Bank (IDB), the ETS Investment Booster (IB)[7] and the extended use of Carbon Contracts for Difference (CCfDs). These tools should be adjusted to ensure technology-neutral and cost-efficient deployment, unlock projects faster and remain simple to access. Notably, they should be accessible to all relevant decarbonisation options, including OPEX-based solutions such as the substitution of unabated fossil fuels with renewable gases in industrial processes through BPAs.

The same technology-neutral approach should apply to the Decarbonisation Plans required as a condition for free allocation under **Article 10cc**. These plans should not be interpreted as covering capital investments alone. The proposal refers to both "measures and investments", and recital 46 recognises both capital and operating expenditure. The documented replacement of fossil natural gas with sustainable biomethane should therefore be eligible for inclusion as a decarbonisation measure, even where the main cost is the ongoing purchase of renewable fuel rather than investment

[7] The Investment Booster discussion paper of DG CLIMA does not explicitly identify sustainable biomethane fuel-switching among its proposed industrial decarbonisation use cases. EBA calls for its inclusion where verified emissions reductions and a demonstrated funding gap justify support, together with clear eligibility rules for integrated biogenic CO_2 capture, utilisation and permanent-storage projects involving biogas and biomethane plants.

in new equipment, provided that the resulting emissions reductions are recognised under the applicable ETS monitoring and sustainability requirements.

EBA therefore recommends **clarifying Article 10cc to confirm that Decarbonisation Plans may include not only capital investments, but also other decarbonisation measures and their associated operating expenditure, including fuel-switching from fossil natural gas to sustainable biomethane.** The subsequent delegated rules should specify which biomethane-related operating costs may count towards the expenditure conditionality attached to free allocation. Inclusion of biomethane use in a plan should not be understood as automatic eligibility of the entire fuel-purchase cost.

ETS instrument	Role in the proposal	EBA recommendation
Innovation Fund	Supports innovative decarbonisation technologies.	Ensure access for integrated biogenic CO_2 projects and innovative biogas/biomethane technologies, including AD, upgrading, pyrogasification, hydrothermal gasification, e-methane, nutrient recovery and digestate processing.
Industrial Decarbonisation Bank (IDB), Art. 10cc	Supports industrial decarbonisation projects.	Recognise renewable gases and enable support for integrated projects involving biogenic CO_2 capture at non-Annex I plants.
Investment Booster	**First phase of the IDB**: supports mature industrial decarbonisation projects through a fixed premium per tonne of verified emissions abated, paid in ETS allowances.	Explicitly include sustainable biomethane fuel-switching where verified emissions savings and a demonstrated funding gap justify support; clarify eligibility for integrated biogenic CO_2 projects involving biogas and biomethane plants.
Decarbonisation Plans / free allocation	Links free allocation to industrial decarbonisation measures.	Explicitly recognise biomethane fuel-switching and associated eligible OPEX, not only CAPEX-based solutions.
National ETS auction revenue	Finances Member State decarbonisation priorities.	Explicitly recognise sustainable biomethane; support biowaste collection, circular fertilisers and their uptake.
Modernisation Fund, Art. 10d	Supports priority investments in beneficiary Member States.	Ensure effective support for biogas/biomethane and integrated digestate processing and nutrient-recovery projects.

2.5. Establish a credible pathway for landfill methane MRV and recognise landfill-gas capture as an abatement measure

EBA supports the development of robust and harmonised EU monitoring, reporting and verification (MRV) rules for methane emissions from non-hazardous landfills as a necessary step before

considering any future inclusion of landfill emissions in the EU ETS. The final text should expressly ensure that methane (CH_4), rather than only CO_2, is covered by the landfill MRV framework.

Such rules should reflect the specific characteristics of landfill methane emissions and, where technically feasible, distinguish between methane generated, captured, oxidised and emitted. They should provide a credible basis for assessing actual emissions and verified improvements in landfill-gas capture, while avoiding methodologies that materially misrepresent installation-level performance.

Landfill-gas capture and utilisation, including upgrading to biomethane, should be appropriately recognised as a methane-abatement action. This is particularly relevant for waste already deposited in landfills, where methane generation continues irrespective of measures taken to reduce future disposal of biodegradable waste. At the same time, such recognition must remain fully consistent with the EU waste hierarchy and should not weaken efforts to prevent biodegradable waste from entering landfills in the first place.

Finally, the treatment of landfill emissions should be developed coherently with the phased inclusion of municipal waste incineration in the EU ETS, so that carbon pricing does not create unintended incentives to divert waste between disposal routes. Future decisions on ETS coverage should therefore be based on robust MRV data, environmental integrity and consistency with EU waste legislation.

2.6 Make EU ETS revenues effective to accelerate the transition towards bio-based fertilisers

The proposal already creates useful entry points as **Article 10(3)(g)** supports competent authorities in separate collection, sorting and recycling; **Article 10(3)(i)** which refers to lead markets for bio-based fertilisers; **Article 10(3),** second subparagraph, point (d), supports uptake of bio-based, organic and circular fertilisers; and **Article 10d (2)** recognises both biogas and biomethane and affordable low-carbon and bio-based fertiliser production. The remaining gap is that the EU ETS framework should support the climate-enabling parts of this value chain by:

1) **Using ETS revenues to develop bio-based fertiliser value chains:**
   EBA welcomes the proposal's requirement that Member States use at least 50% of the relevant national auction revenues, or the equivalent financial value, for the decarbonisation priorities listed in Article 10(3), including the development of lead markets for bio-based fertilisers. As highlighted in the **Bioeconomy Strategy** and **Fertiliser Action Plan**, bio-based fertilisers can reduce strategic dependencies and strengthen the resilience of EU fertiliser supply chains. Digestate is a key example of this circular nutrient resource[8], and ETS revenues could support its upgrading and storage, enabling its safe and efficient use as a fertilising product.
   The **conventional fertiliser industry should also be an important beneficiary of these funds**, to support its transition towards more circular production models. This could include investments enabling the greater incorporation of digestate and other recycled nutrients into **organo-mineral fertilisers**, as well as the development of more advanced products from

[8] European Biogas Association, Exploring digestate's contribution to healthy soils, 2024

processed digestate (e.g. liquid fractions of digestate, mineral concentrates, struvite, ammonium salt, etc.)[9].

2) **Support uptake by end-users:**
Using the remaining national ETS auction revenues to support **uptake by end-users** is also a sound approach, as the availability of suitable equipment and infrastructure remains a barrier to the wider use of bio-based fertilisers. In the case of digestate, for example, farmers may require investments in **equipment and precision application technologies that minimise nitrate and ammonia emissions** and enable the safe and efficient use of recycled nutrients.

3) **Support integrated biogas and digestate projects:**
The proposal that **95% of specified Modernisation Fund revenues** should support priority investments, including renewable energy projects involving biogas and biomethane and the production of affordable low-carbon and bio-based fertilisers, is also highly relevant. This could support **integrated biogas projects combining renewable energy production with digestate processing and nutrient recovery**, thereby maximising the climate and circular economy benefits of anaerobic digestion.

4) **Ensure that ETS flexibility drives the transition of the mineral fertiliser sector:**
While these provisions could potentially channel more funding towards biogas and bio-based fertilisers, **they do not guarantee that the mineral fertiliser industry will itself transition towards greater production and use of bio-based and circular fertilisers**. The proposed funding lines are generally available to bio-based fertiliser producers and end-users and are not specifically targeted at the conventional mineral fertiliser industry, despite this sector being directly covered by the EU ETS. EBA therefore considers that **any additional flexibility granted to the mineral fertiliser industry under the revised EU ETS should be conditional on demonstrable progress towards the production and incorporation of bio-based and circular fertilisers**.

Where additional free allowances or other forms of flexibility are provided to the mineral fertiliser sector, these should be linked to **clear and measurable commitments**, such as requiring a defined share of a company's fertiliser production to consist of bio-based fertilisers. This would ensure that additional flexibility under the EU ETS does not merely postpone the decarbonisation of the conventional fertiliser sector but **actively contributes to its transition towards more circular production models**. This could be achieved by **linking additional ETS flexibility to the recycled nutrient blending target currently being considered under Biotech Act II**[10], ensuring that a more gradual ETS transition is accompanied by tangible progress towards circular fertiliser production.

5) Additionally, EBA recommends **matching support to the mandate of each ETS funding instrument.** National auction revenues under Article 10(3) should support competent authorities in developing separate biowaste collection and the sorting and pre-treatment necessary for recycling, as well as measures developing markets for bio-based fertilisers. In Modernisation Fund beneficiary Member States, Article 10d should support the deployment of biogas and biomethane production and the processing of digestate into affordable low-carbon and bio-based fertilisers. The Innovation Fund under Article 10cb should support

[9] European Biogas Association (EBA) (2026) *EBA Call for Evidence: Biotech Act II*.
[10] European Biogas Association (EBA) (2026) *EBA Call for Evidence: Biotech Act II*.

innovative anaerobic-digestion, biogas-upgrading, pyrogasification and hydrothermal gasification, nutrient-recovery and digestate-processing technologies that contribute significantly to decarbonisation.

Conclusions

The **COM (2026) 616** can become a strong framework for industrial decarbonisation and a credible European permanent removal market. The Commission proposal contains several important gains for the biogases sector, and these should be preserved: workable zero-rating for sustainable biomethane, explicit Article 9c recognition of BioCCS, Modernisation Fund support for biogas and biomethane, and auction-revenue pathways for bio-based, organic and circular fertilisers.

EBA's recommendations are deliberately limited to changes arising from the published ETS text: harmonised zero-rating evidence; enable biogas and biomethane plants to directly supply permanent removals (BioCCS) to ETS operators, develop integrated biogenic CO2 value chains, and access targeted funding; adjust the maritime and aviation support rate for biogas and advanced biofuels; ensure that the new investment tools are open to biomethane projects; establish a credible pathway for landfill methane MRV and recognise landfill-gas capture as an abatement measure; and make EU ETS revenues effective to accelerate the transition towards bio-based fertilisers.

Contact
Fiorella Cruz Annicchiarico, Junior Policy Officer cruz@europeanbiogas.eu
Anna Onida, Policy Officer onida@europeanbiogas.eu

About the European Biogas Association (EBA)
EBA fully believes in the future potential of renewable gas in Europe. Founded in 2009, the association is committed to the deployment of sustainable biogas and biomethane production and use throughout the continent. EBA counts today on a well-established network of over 300 national associations and other organisations covering the whole biogas and biomethane value chain across Europe and beyond.