Compatibility between a GO scheme and EU ETS – Recommendations

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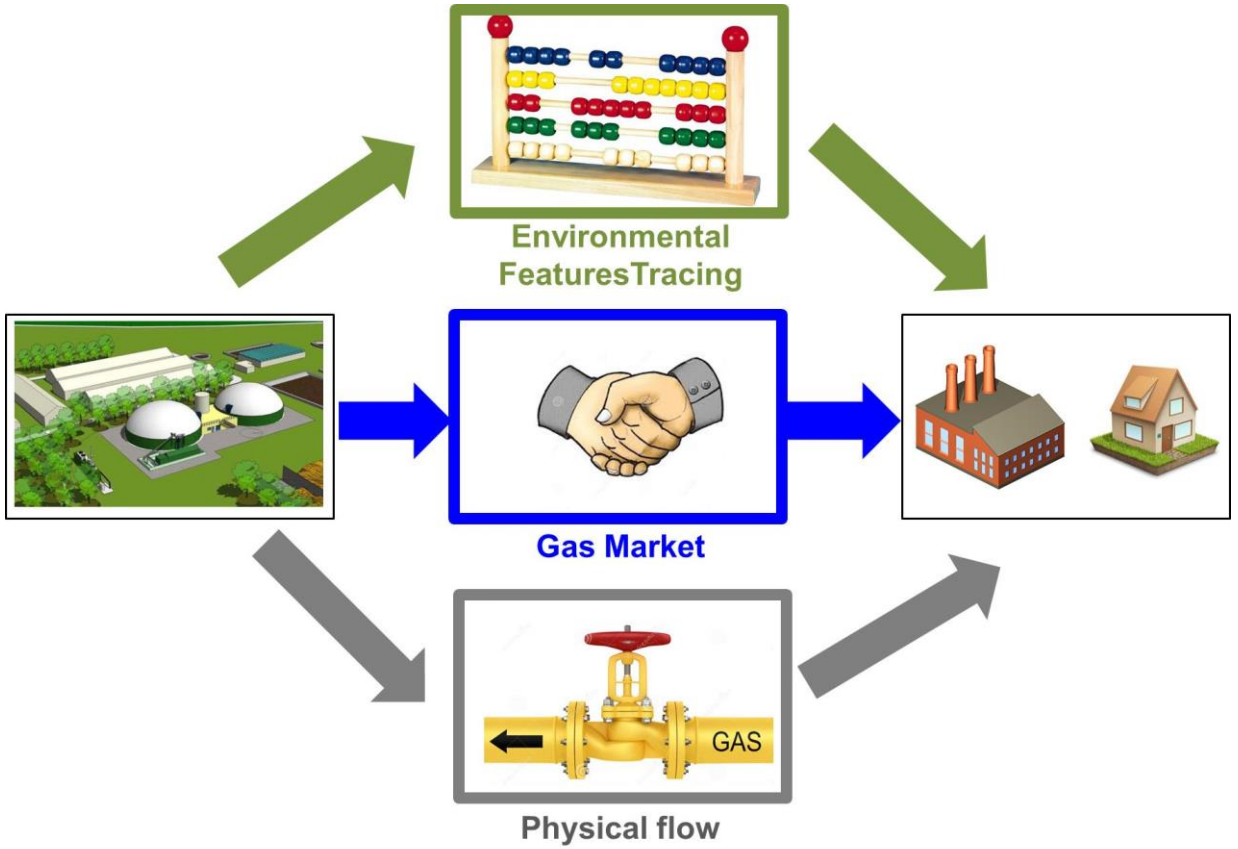
The virtual split operated by a GO scheme



As long as EU ETS accepts such virtual split it is compatible with a GO scheme

Physical traceability is not possible in the gas grid. When biomethane is injected into the grid in order to allocate it to a specific consumer you have to conceptualize a ***virtual split*** between *at least* two component:

- ❑ **commodity**, related to a physical/commercial availability of gas into the grid;
- ❑ **environmental attribute**, proved by a certification scheme;

The first component follows the rules of Network Codes and dispatching.

The second component is represented by a Guarantee of Origin

GO scheme for renewable gas under EU ETS

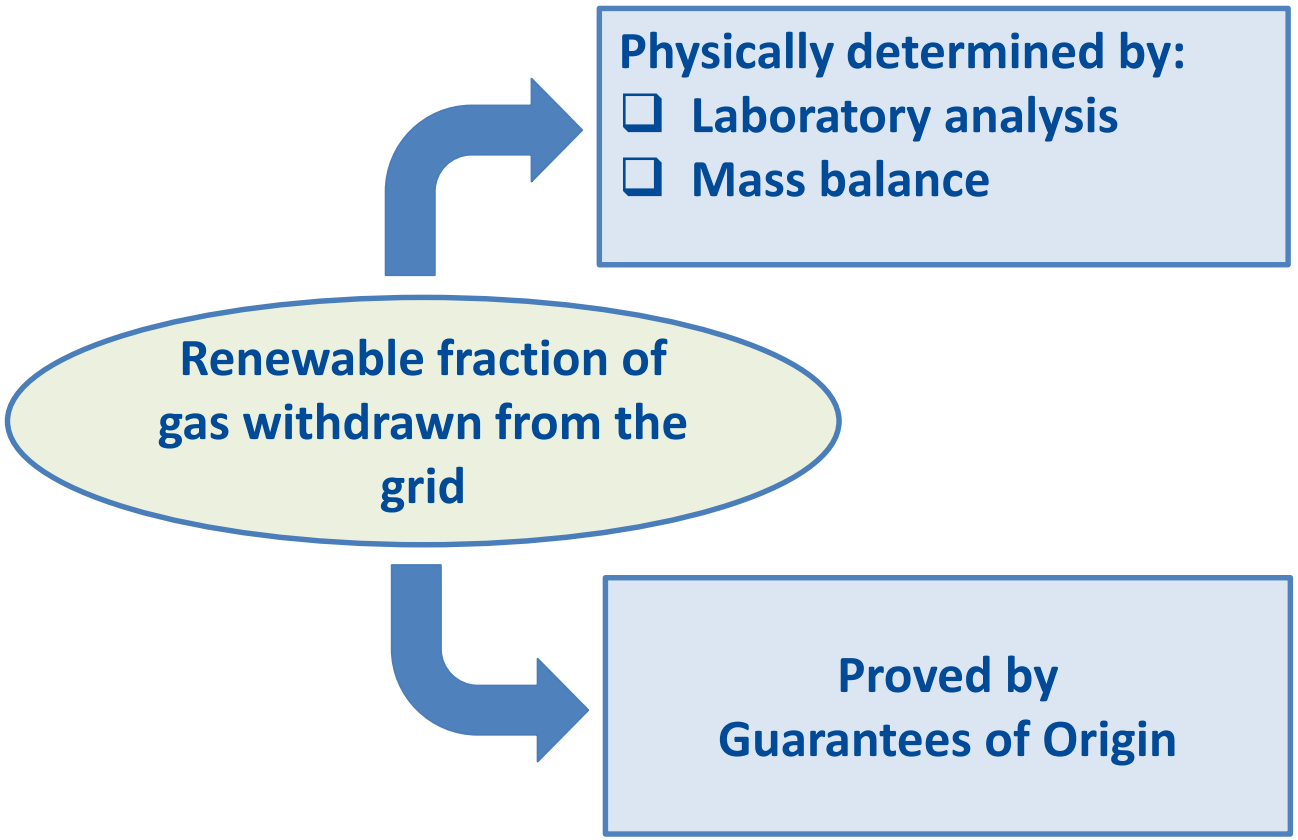
- The EU ETS Monitoring and Reporting Regulation accepts the concept of a *virtual split* between the physical commodity and its environmental attributes: GO could be used as a valid proof of the renewable origin of gas withdrawn from the grid

- Anyway ***potential overlapping/conflict*** with other EU ETS instruments that could be used to prove the renewable origin of the gas may generate ***double counting*** and uncertainty as consequence. So EU ETS MR Regulation poses certain conditions on the use of GO

- The related legal/regulatory risk perceived would weaken the GO scheme and decrease the GO market value.

How to prove the renewable origin of gas withdrawn from the grid?

EU ETS Regulation - How to prove the renewable origin of gas withdrawn from the grid

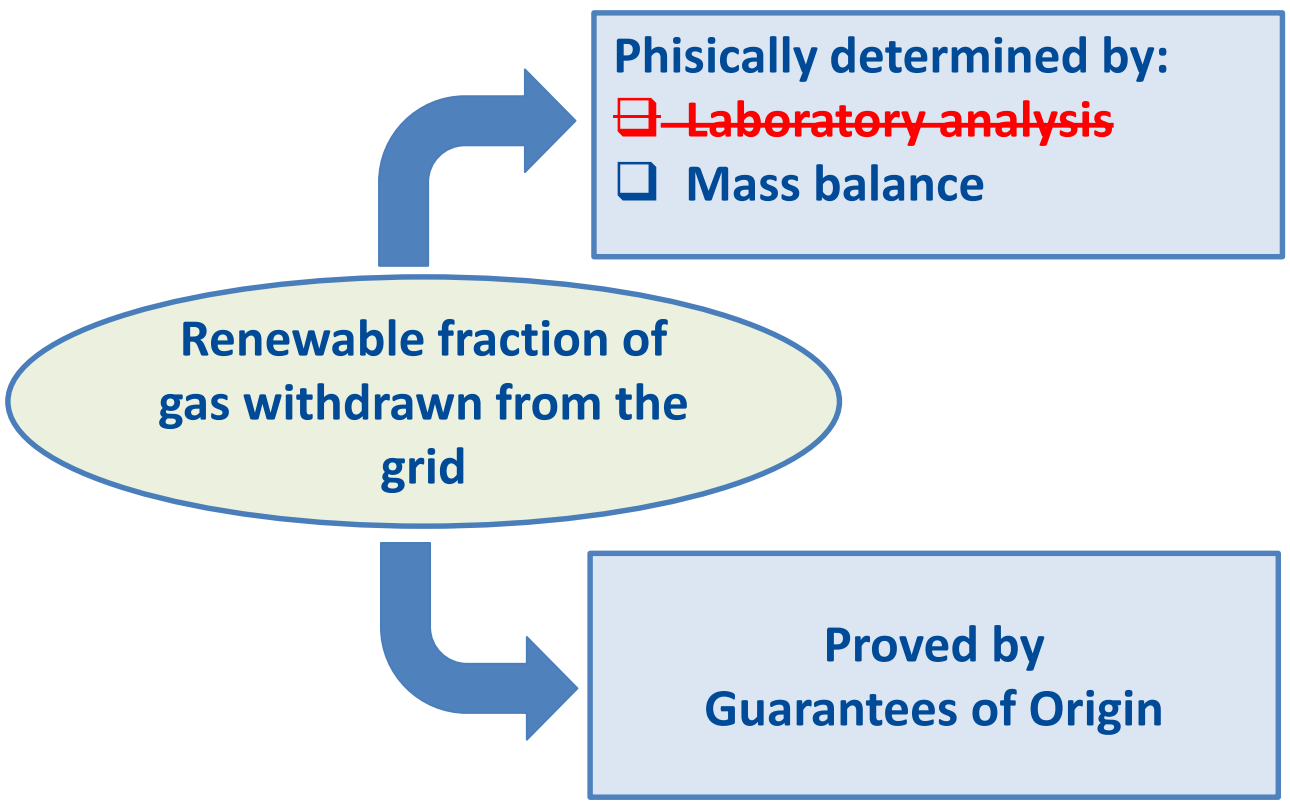


EU ETS Monitoring and Reporting Regulation (Commission Regulation 601/2012, Article 39) states that the biomass fraction of a mixed fuel has to be proved:

- ❑ by ***laboratory analysis*** or
- ❑ when analysis is technically not feasible or would incur unreasonable costs, by an estimation methods published by the Commission or a ***method approved by the national competent authority*** based on standard factors where available or ***mass balance***.
- ❑ by way of derogation […] where the ***guarantee of origin*** has been established for biogas injected into and subsequently removed from a gas network, ***the operator shall not use analyses.***

If a GO scheme is in place laboratory analysis are not allowed

Guidance document No. 3: if a GO scheme is in place laboratory analysis are not allowed for all operators connected to the gas grid in order to avoid double counting

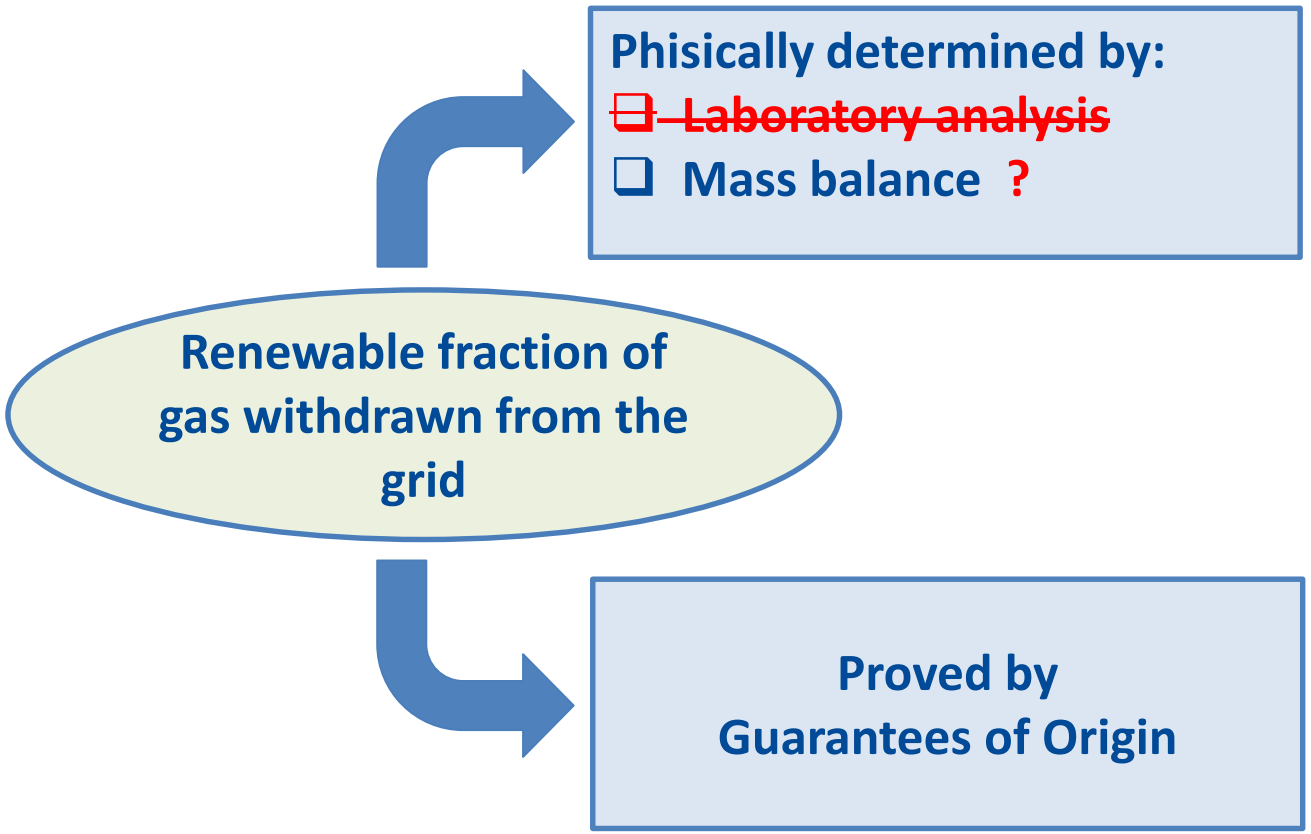


Monitoring and Reporting Regulation Guidance document No. 3 ("Biomass issues"):

- ❑ Biogas has to satisfy the RED sustainability criteria (Chapter 3).
- ❑ ***laboratory analyses for the determination of the biomass fraction are not allowed for all installations connected to that grid where a guarantee of origin system is in place***. (Chapter 5.2)
- ❑ GO scheme has to be based on "an appropriate accounting and verification system which allows the accurate, transparent and verifiable identification of biogas amounts fed into the grid and consumed by installations, effectively avoiding double counting of biomass." (Chapter 5.2).

What about mass balance?

Could the mass balance method generate a same double counting problem as laboratory analysis?



What about mass balance?
If mass balance method is to be intended as a «proxy» for laboratory analysis then the same double counting problem could arise, as the "boundaries" of the mass balance exercise could include the portion of the gas grid that is characterized by a relevant biomethane injection, again generating a double counting risk if a Guarantees of Origin scheme is in place.

EU ETS Monitoring and Reporting Regulation and Guidance documents are not clear on that point.

Recommendations on «double counting» risk

If operators under EU ETS could claim to have consumed renewable gas by using laboratory analysis and/or mass balance methods to prove the renewable origin of gas withdrawn from the grid, then the coexistence of a GO scheme could generate a double counting risks.

We recommend to the EU Commission to reform the Monitoring and Reporting Regulation (Commission Regulation 601/2012) and the related Guidance documents, especially document No. 3 (Biomass Issues), so as to clarify that ***in order to avoid double counting, when a GO scheme is in place, no other potentially conflicting ways to prove the renewable origin of gas withdrawn from a common grid are allowed.***

Recommendations on a common terminology

EU ETS Regulations only mention “biomass”, “bioliquid”, “biofuels” and “biogas”, the latter to be understood as biomethane when injected into a common gas grid.

No mention is made for:

- other renewable gases, like *biosyngas* and *green hydrogen;*
- low carbon gases or decarbonized gas, like *blue hydrogen.*

As the EU ETS Regulation should be revised in order to incorporate modifications from the revised EU ETS directive ***we recommend the Commission to adopt a terminology that is consistent with both the RED II and the pan-European GO scheme for renewable and low carbon gas.***