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EFET recommendations for the revision of the rules on monitoring and reporting ahead of the next trading period of the EU ETS (Phase 4)

The European Federation of Energy Traders (EFET)[1] welcomes the opportunity to provide feedback on the European Commission's consultation on the draft Commission Regulation amending and correcting Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council (hereafter "MRR"). We welcome the revision of MRR aiming to update the rules on monitoring and reporting ahead of the next trading period of the EU ETS (Phase 4), making them more efficient and up-to-date.

Through Articles 3, 38 and 39, MRR sets out some key rules for the treatment of biomass under the EU ETS, defining biomass as "the biodegradable fraction of products, waste and residues from biological origin" which "includes bioliquids and biofuels."[2] Article 39 specifies the following three means of proving the given biomass fraction of the gas blend:

1) A laboratory analysis;
2) An estimation method published by the Commission or a method approved by the competent national authority based on standard factors where available or mass balance (in cases where a laboratory analysis is technically not feasible or would incur unreasonable costs);
3) A GoO, if it was issued for the biomass fraction injected into and subsequently withdrawn from the gas network.

In order to ensure that MRR is fit for purpose in view of the policy objectives under the European Green Deal (including energy system integration and decarbonisation of the gas sector) and to mitigate the risks of double counting, we believe that the revised Regulation should provide for the use of **GoOs as the only means of proving the origin of gas injected and withdrawn from the gas network.**

Harmonisation of the mechanisms for monitoring and reporting the climate value and sustainability characteristics of renewable, decarbonised and low carbon gasses through an EU-wide GoO scheme recognised in the EU ETS, would enable a GoO market for gases and contribute to the development of an overall harmonised trading regime for GoOs.

The need for a harmonised EU-wide GoO scheme recognised in the EU ETS is driven by a growing consumer demand for products which would demonstrate the sustainability of consumer energy choices and their contribution to Europe's transition to climate neutrality. It should therefore be possible to supplement the standardised GoOs for renewable, decarbonised and low carbon gases with relevant information on the sustainability characteristics of the respective energy sources. This would allow for development of more sophisticated products, which would serve different types of customers across multiple sectors. Linking the information on compliance with sustainability and GHG emissions reduction criteria, which is provided through sustainability certification, to GoOs will be key in order to avoid double counting and fragmentation of the market for GoOs and sustainability certificates and products.

The revised MRR should therefore allow for

[1] The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

[2] Implementing Regulation (EU) 2018/2066 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council, Articles 3 and 38

A. The climate value of decarbonised, low-carbon and renewable gases (not just biogas) to be recognised under the EU ETS, along with the additional sustainability criteria;
B. A single methodology to define and calculate the fractions of renewable, decarbonised and low carbon gases to be used across the EU;
C. The use of GoOs as a purchase record of these gases.

Our suggested amendments to the text of MRR are set out in the Annex to this paper.

The revised MRR, together with the Renewable Energy Directive - the revision of which is foreseen for 2021 - will play a key role in facilitating the development of **a harmonised EU-wide market for GoOs for renewable, decarbonised and low carbon gases** and in ensuring **its alignment with the operation of the EU ETS** in order to avoid double counting the deemed "green value" of the certified sources (especially in end use sectors not currently covered by EUAs such as heating and transport).

A harmonised EU-wide trading regime for GoOs will, in turn, constitute a crucial tool for energy system integration and for supporting the uptake of renewable, decarbonised and low carbon energy sources, including decarbonised and low carbon gases.

EC consultation: EU ETS - updated rules on monitoring and reporting		
Text of the draft amending the current MRR	**Proposed amendments**	**Comments**
Article 39 *Determination of biomass and fossil fraction* 3. By way of derogation from paragraphs 1 and 2 and Article 30, ~~where the guarantee of origin has been established in accordance with Articles 2(j) and 15 of Directive 2009/28/EC for biogas injected into and subsequently removed from a gas network,~~ the operator shall not use analyses or estimation methods in accordance with paragraph 2 to determine the biomass fraction of natural gas received from a gas grid to which biogas is added. The operator may determine a certain quantity of natural gas from the gas grid to be biogas by using one of the methodologies set out in paragraphs 4 and 5, which are mutually exclusive. Member States shall publish all relevant information required for the application of those two paragraphs, in particular an indication of which method is applicable to each gas grid to which installations are connected.	3. By way of derogation from paragraphs 1 and 2 and Article 30, the operator shall not use analyses or estimation methods in accordance with paragraph 2 to determine the biomass fraction of a ~~natural~~ gas blend received from a gas grid ~~to which biogas is added.~~ The operator may determine a certain ~~quantity of natural gas from the gas grid to be biogas~~ fraction of renewable/ sustainable gas in the gas blend delivered via gas networks by using ~~one of~~ **a common methodology set out in paragraph 4** ~~which are mutually exclusive~~. Member States shall publish all relevant information required for **its** application. ~~of those two paragraphs, in particular an indication of which method is applicable to each gas grid to which installations are connected.~~	• In the future, we expect gas networks to carry gas blends (with renewable and/ or sustainable gases) rather than only natural gas. • Given that we have an integrated gas market in Europe and a highly interconnected gas network, we suggest removing the last part of the sentence (“gas grid, to which biogas was added”). • We believe that a single methodology to define and calculate the fractions of renewable and sustainable gases (including biomass) must be used across the EU. This would facilitate the development of a harmonised framework for GoOs in Europe and help avoiding potential market distortions, which may otherwise take place if a patchwork of national measures continues to develop. • Provisions to safeguard against double counting are necessary. A harmonised EU system for GoOs would provide a good basis for that.
4. Where the Member State allows for the application of this paragraph, the operator may determine the biomass fraction using purchase records of biogas of equivalent energy content,	Where the Member State allows for the application of this paragraph, the operator may determine the biomass fraction using purchase records of biogas of	• We suggest using a harmonised EU system for GoOs (which can be supplemented by information on compliance with sustainability and GHG emissions reduction criteria) as

provided that the operator provides evidence to the satisfaction of the competent authority that: (a) the biogas complies with the first subparagraph of Article 38(2); (b) there is no double counting of the same biogas quantity, in particular that the biogas purchased is not claimed to be used by anyone else, including through a disclosure of a guarantee of origin in the meaning of Article 2(12) of Directive (EU) 2018/2001; (c) the operator and the producer of the biogas are connected to the same gas grid; (d) the market value of that biogas consumption was taken into account appropriately in the relevant support scheme, if support has been granted for the biogas production. For the purpose of demonstrating compliance with this paragraph, the operator may use the data recorded in a database set up by one or more Member States which enables tracing of transfers of biogas.	equivalent energy content, **through the use of GoO,** provided that … the market value of the **GoO and the corresponding volume of biogas consumed** was taken into account appropriately in the relevant support scheme, if support has been granted for the biogas production. For the purpose of demonstrating compliance with this paragraph, the operator may use the data recorded in a database set up by one or more Member States which enables tracing of transfers of biogas.	the only means of proving the origin of gas injected and withdrawn from the gas network. This brings a number of benefits: ○ A GO scheme constitutes a market based tradeable instrument specifically designed to identify and disclose the origin of the product. ○ In the market we see increased demand for such a product – and it is important to support a demand driven "pull" facilitating the energy transition. • Given that we have an integrated gas market in Europe and a highly interconnected gas network, we propose removing point C. • Point D needs reflect that GoOs must be used as the only means of proving the origin of gas injected and withdrawn from the gas network.
5. Where the Member State allows for the application of this paragraph, the operator may determine the quantity of biogas based on an average emission factor and biomass fraction published by the competent authority for a specific gas grid provided that: (a) the emission factor and the biomass fraction are based on a mass balance which takes into account all biogas fed to that gas grid which complies with the first subparagraph of Article 38(2) as well as natural gas, biogas		We propose deleting section 5, as it provides for: • An approach whereby the fraction of renewable or sustainable gases is centrally defined, which would effectively undermine any trading activity; • A patchwork of methodologies to define and calculate the fractions of renewable and sustainable gases, which may lead to market distortions; • A provision which limits/ deprives end-consumers of the possibility to individually move towards a 100% renewable gas consumption.

which does not comply with the first subparagraph of Article 38(2) and other combustible gases fed to that gas grid; (b) there is no double counting of the same biogas quantity, in particular that the biogas purchased is not claimed to be used by anyone else, including through a disclosure of a guarantee of origin in the meaning of Article 2(12) of Directive (EU) 2018/2001; (c) the market value of that biogas consumption was taken into account appropriately in the relevant support scheme, if support has been granted for the biogas production.		Finally, we believe that the green value of decarbonised, low-carbon and renewable gases (not just biogas) should be recognised by the EU ETS as long as it also meets any additional sustainability criteria.