

RED II consultation response (to the questionnaire, January 2021)

Answer to Q.1.2 ‘Do you think REDII needs to be modified? (multiple answers possible).¹ Please specify’.

ENTSOG believes that RED II needs to be modified in a way to facilitate the uptake of low-carbon gases which demonstrate GHG emission savings, next to renewable. By ‘low – carbon gases’ we understand those gases which are produced from non-renewable energy sources (e.g. non-renewable electricity, natural gas, other hydrocarbons) but which have low carbon footprint defined with a reference to a certain threshold. The way to define the threshold could be discussed but it should cover emissions from the product’s Life Cycle (see also our response to Q 1.3.). This group of gases could include, for example, hydrogen produced by steam methane or autothermal reforming of natural gas in combination with CCUS.

Low-carbon gases have a high climate (decarbonisation) value which needs to be disclosed to consumers. To this end, the system of Guarantees of Origin (GO) introduced in Art. 19 of RED II needs to be extended to low-carbon gases which means that GO issuance should not be an option in the hands of Member States (as currently provided for the non-renewable energy in Art. 19(2) of RED II) but should become an obligation.

Answer to Q.1.3 ‘If you answered ‘yes’ to the previous question, which parts of RED II do you think should be amended?’².

Please specify.

We believe that amendments are needed in relation to:

- **Guarantees of Origin (Art. 2 and 19).** These amendments should:
 - i) extend the scope of the GO system to low-carbon gases (i.e. make GO issuance mandatory for low-carbon gases);
 - ii) introduce clear and straightforward definition of low-carbon gases;
 - iii) add to GOs information on the carbon footprint compulsory for all energy carriers (calculated according to the so-called ‘well-to-gate’ approach which covers emissions by the moment of the energy production and entry to the market). The values of the carbon footprint should be comparable between different energy carriers and should be a part of the full Life Cycle Analysis. The latter should be based on a robust methodology outlined in a separate delegated act or other legal document guaranteeing a level playing field for energy carriers with equal GHG abatement merits;
 - iv) facilitate the link between sustainability certificates and GOs (for example, information on sustainability characteristics of renewable energy, gases in particular, could be added to the

¹ We also choose this option from the list proposed in the questionnaire: ‘Yes, it needs to be more ambitious as result of the higher climate ambition in the European Green Deal and Climate Target Plan’.

² We choose the following options from the list proposed in the questionnaire: i) requirements on guarantees of origin for energy from renewable sources; ii) provisions on sustainable low carbon fuels such as low-carbon hydrogen and synthetic fuels with significantly reduced full life-cycle greenhouse gas emissions compared to existing production; iii) other.

- GOs once it is verified by the sustainability audits and documented in the sustainability certificates);
- v) ensure the use of GOs for renewable and low-carbon gases in markets such as the EU ETS market or for compliance with supply/demand quotas or renewable energy obligations once GOs provide relevant information on the sustainability and carbon footprint;
 - vi) ensure that the GO's lifetime takes into account physical characteristics of the energy product (e.g. the storability of gases) and does not obstruct GO conversion and trading.
- **the minimum shares of renewable energy in the transport sector (Art. 27).** These amendments should simplify rules for counting renewable hydrogen towards this minimum share (in particular, remove so-called “additionality” and other temporal and geographical criteria) and should allow to use GOs as an evidence of the hydrogen renewable origin;
 - **mass balance rules (Art. 30 of RED II).** These amendments should allow to consider the European gas infrastructure as a single logistical facility for the purpose of the mass balance verification. The well interconnected European gas infrastructure serves as a milestone of the EU internal gas market and facilitates gas trading via transportation across borders. By virtue of Art. 1 of the Gas Directive 2009/73/EC biomethane injected to the gas infrastructure in one Member State would enter the EU gas market and thus could be traded across borders. However, this feature is not fully reflected in the current RED II rules on the mass balance which could potentially limit the possibility of trading sustainable biomethane across borders. Understanding the European gas infrastructure as a single logistical facility would eliminate this potential barrier for the cross-border trade and will hence incentivise the cross-border exchange of sustainable biomethane.

Please explain your answer

We believe that a European-wide certification system is a key step towards meeting the EU climate and decarbonisation targets. This system should be built on the basis of the current GO system. However, we acknowledge that the GO system needs to be upgraded and additional content requirements should be introduced in the future RED III to satisfy the needs of all market players and facilitate investments into renewable and low-carbon energy.

First, GOs for all renewable and low-carbon energy carriers should provide additional information on the energy carbon footprint to inform consumers about the climate value and decarbonisation potential of the energy they use (please see the explanation above).

Second, GOs for biomass fuels should provide sustainability information and be linked with the sustainability certificates. We believe that producers of biomass fuels should be able to inform their consumers about additional sustainability characteristics of their products in the GO (i.e. regarding compliance with sustainability and GHG emission saving criteria of RED II). This information should be confirmed with a reference to sustainability certificates issued by specific auditing bodies. If the link between GOs and sustainability certificates is facilitated, all the environmental attributes of the product will be accumulated in a single certificate – the GO, which would prevent double claims on the origin of biomass fuels and simplify the trade of certificates and GOs for market players.

A GO containing this additional information and linked to the sustainability certificates of EU recognized voluntary schemes will be more credible than the sustainability certificate alone and should be accepted

as an evidence that biomass fuels are compatible with sustainability and GHG emission saving requirements. For market players, this would significantly simplify the process of getting financial support and fulfilling their renewable energy obligations. Moreover, in this case the GO would enable market players falling under the EU ETS to record consumption of the sustainable biomass fuels and claim their zero-emission factor according to the EU ETS monitoring and reporting regulation (as amended by the Commission Regulation (EU) 2020/2085).

Third, GOs could also provide market players with the information needed to make mass balance claims, for example on the fuel's supply chain (so-called 'dissemination or distribution level'). With this information in the GO, market players would be able to claim that certain volumes of sustainable biomass fuels were added to the supply chain and consequently delivered to the consumer, if needed for mass balance systems.

Answer to Q.1.5 'Do you see scope for simplifying RED II or reducing regulatory burdens, including administrative burdens?'

Yes, we believe that requirements of Art. 27 on the rules for calculating the minimum shares of renewable energy in the transport sector should be simplified (please see our response to Q.1.3). We also see the need to modify the mass balance rules of Art. 30 in a way to consider the European gas infrastructure as a single logistical facility (please see our response to Q.1.3).

Answer to Q.2.6 'How effective do you think the following measures would be in supporting the uptake of RES and low-carbon fuels? (related to targets, i.e. minimum shares or quotas of RES and low carbon fuels in specific end-use sectors, CCfD, supply-side quotas, market based support schemes, supply-side GHG-based targets) Other? Please specify'.

Other. ENTSOG acknowledges that such measures could promote the development of renewable and low-carbon gases. However, it would be important to ensure that any such measures recognise different national circumstances. To help achieve this, an EU-wide tradable certificate scheme for renewable and low-carbon gases should be implemented.

Answer to Q.2.7 'How important do you think the following principles are for a robust and comprehensive certification and verification system covering all renewable and low carbon fuels? (Multiple answers possible)³ Other principles? Please explain'.

We believe that a European-wide certification system is a key step towards meeting the EU climate and decarbonisation targets. This system should be built on the basis of the current GO system using the 'book-and-claim' method which allows to transfer GOs representing environmental attributes of the energy independently from the physical energy. This allows to reduce administrative costs for market

³ In the questionnaire, we also mark the following **3 principles** as **very important**: i) 'the certification and verification system should cover all renewable and low carbon fuels', ii) 'the certification and verification system does not need to follow the real energy flows as it is sufficient to incentivise the promotion of renewable and low carbon fuels independently of where they are consumed in the Union, for instance by using a book-and-claim approach such as for Guarantees of Origin', iii) 'the certification and verification system should ensure that the GHG impact of energy conversions along the value chain (e.g. renewable electricity used to produce renewable hydrogen) are fully taken into consideration, while avoiding double counting'. **1 principle** could be marked as **important** 'the certification and verification system should cover all end-use sectors'. **3 principles** could be marked as **not important**: i) 'the certification and verification system should demonstrate that renewable hydrogen and renewable synthetic fuels are produced from additional renewable electricity'; ii) 'the certification and verification system should follow as closely as possible the real energy flows and ensure that consumption of renewable and low carbon fuels takes place in certain target sectors (e.g. transport) in the Union, for instance by using a mass balance system'; iii) 'where CO₂ is used in the production of a fuel, the certification system should distinguish between fuels using CO₂ of fossil origin and CO₂ of non-fossil origin'.

players, facilitate cross border transport and trade in the renewable and low-carbon energy and effectively decarbonise the European energy sector.

It is particularly important that the future certification system does not create barriers for investments, does not impose unjustified and discriminative requirements for market players and ensures a level-playing field for them. To this end, any requirements on the use of additional renewable electricity for hydrogen producers or links between certification and the real energy flow (e.g. temporal and geographical matching between production of renewable electricity and production of renewable hydrogen) should be precluded. Application of these principles would not help increase the share of renewable energy in the general energy mix but on the contrary would hinder achievement of the future increased EU target for consumption of renewable energy.

However, we acknowledge that the current GO system needs to be upgraded and additional content requirements should be introduced in the future RED III to satisfy the needs of all market players and facilitate investments into renewable and low-carbon energy (please see our detailed proposals in answers to Q. 1.3 above).

Answer to Q.2.8 'In the current system, only electricity suppliers are required to certify to consumers the share of energy from renewable sources by guarantees of origin. Do you think that this obligation shall be extended to suppliers of renewable fuels (such as biogas, biomethane or renewable hydrogen) as well, and possibly of "low carbon" fuels?'

Yes, for renewable fuels and low carbon fuels.

Answer to Q.3.7.1 'Do you think the sustainability criteria for the production of bioenergy from forest biomass in RED II should be modified? (only one reply possible). Please explain your reply'.⁴

No. RED II transposition and implementation are still in progress in EU Member States. In particular, this refers to requirements on sustainability for biomass fuels. In the meantime, it is difficult to assess how effective these rules are and if they require further changes. We believe that they should be first tested in practice. Moreover, uncertain and unstable regulatory framework could make implementation of these rules by market players even more difficult and may threaten the development of this new industry.

⁴ Similar answer is provided to Q. 3.7.2.- 3.7.5.