

## Consultation Response

ENTSOG (European Network of Transmission System Operators for Gas) welcomes the initiative of the EC on preparation of the Implementing Regulation on rules to verify sustainability and GHG emissions saving criteria and low indirect land-use change-risk criteria (hereinafter – the draft) and would like to provide its comments to facilitate the implementation of the recast Renewable Energy Directive (RED II).

### 1) The draft may create unjustified regulatory barriers for trading sustainable gases in the single EU gas market

The draft prevents gas suppliers and traders from participating in the voluntary schemes and a mass balance system (see the definition of ‘economic operators’), thereby limiting their right to buy and sell sustainable gases in the gas market. It also requires trading the energy content of gaseous fuels injected into gas networks together with the sustainability characteristics (Art. 18(2)) and recording the information on the biomethane exit points (Annex I), which may limit commercial transactions in the gas market to bilateral arrangements between producers and consumers. Read together and depending on how they are interpreted, these requirements may create a new regime for trading sustainable gaseous fuels which is different from the one set up in the EU gas market for all types of gases injected into the gas infrastructure (see Art. 1 of the Gas Directive). This could lead to fragmentation of the gas market and prevent proper valuation and pricing of the energy content of the gaseous fuels and their sustainability characteristics.

Moreover, the terminology of Art. 19(2)(c) and (d) related to the transmission and distribution infrastructure might be misinterpreted when applied to the gas systems, which include not only distribution networks but also transmission networks, underground storages and LNG-facilities all together constituting a single logistical facility for the mass balance purpose.

Furthermore, application of Art. 23 on the use of C14 test to define sustainability and GHG emissions saving characteristics assigned to the blend of fossil and biomass fuels is questionable, in particular with regard to the exit points from gas networks. Gas blends delivered to consumers will contain both gases of fossil and renewable biological origin. However, their respective share will not be the same if one considers the physical flow or the commercial flow. With a C14 test, the end-user close to a biomethane producer will physically consume the biomethane even if commercially he is supplied with a fossil gas. If a guarantees of origin (GO) system is in place, it should be used to document the share of fossil and bio - consumption of any specific end-user. Else there would be a risk of double counting of the same unit of renewable gas, if C14 and GOs are used at the same time. This risk has also been recognised and addressed,

for example, in the Monitoring and Reporting Regulation for the EU ETS (see Art. 39). Thus, it is important to change the draft and ensure that Art. 23 does not apply to the exit points to gas consumers.

**2) The need to introduce an industry factor on gas losses as proposed in Art. 19(2)(d) is questionable.**

RED II does not require to count gas losses for the mass balance purpose, therefore it is arguable if the proposed factor needs to be introduced in the draft. If such industry factor is deemed necessary for gaseous fuels and also envisaged for other energy carriers, it should be introduced via amendments to RED II instead of this implementing act. Moreover, with the implementation of the EU strategy on the methane emissions reduction, the average value of methane losses in the gas supply chain will drop down, therefore it is too early to fix any industry factor for gas losses in the legal document. A periodic review of this value might be needed to accommodate the progress of market players.

**3) The interaction between the GO and sustainability certification schemes is not facilitated, which may undermine the credibility of the whole European certification system.**

Art. 18 and Annex A provide a list of sustainability, GHG emissions and transaction data which needs to be recorded for the mass balance purpose. Part of this information could be provided by the GO. Nevertheless, the draft does not recognise the need to ensure a strong link between GOs and sustainability certificates (SC). Keeping market-based (GO) and non-market based (SC) instruments together will ensure the best pricing for the renewable and sustainable characteristics of gases and will significantly simplify the use of different certification tools for market players.

**4) The starting date for the application of the Implementing Regulation should be changed.**

Art. 28 of the draft defines that the Regulation will apply from 1 July 2021, which might be an editorial error. This should be changed in the final draft. We recommend that the application of the Regulation should start not earlier than one year after its entry into force, given that market players will need time to adapt to the new system and make necessary changes in their business processes.

**Recommendations:** To address all these concerns and implement RED II with due regard of the EU gas market design, a dedicated Article on the use of the mass balance system on the gas infrastructure could be added to the draft. Such Article should recognise the status of the European gas infrastructure as a single logistical facility and indicate how the mass balance should be achieved and calculated for such infrastructure (e.g. gas TSOs could easily attribute volumes of gas offtakes claimed for target compliance to the specific consumption point or to

end-users portfolio of the supplier and match them with the volumes of inputs via, for instance, the EIC-coding for entry and exit points). This Article should also ease the link between GOs and other certification tools for the benefit of the whole energy market and wider society.