

Feedback from Energigas Sverige (Swedish Gas Association) on the Emissions trading system (ETS) Monitoring and Reporting Regulation amendment in response to the ETS revision

1 General comments

The Swedish Gas Association welcomes the fact that the EU is taking an ambitious holistic approach to climate policy. The legislation package "Fit for 55" is an important step in reducing emissions by at least 55 percent by 2030, and achieving climate neutrality by 2050 – two important goals that we fully support and stand behind. The EU's emissions trading system (EU ETS) and the renewables directive (RED) are two important regulations that lay the foundation for the transition.

2 Utmost importance that mass balance is accepted both in EU ETS 1 and EU ETS 2

The Swedish Gas Association welcome the clear inclusion of RFNBO and RCF in the MRR rules. We also welcome the clear link to the RED definitions and sustainability criteria to be fulfilled to be zero-rated – which should be done using a mass balance system. We welcome that it is clarified that the “green gas concept” or mass balance approach for biomethane co-distributed with natural gas in gas grids is expanded and valid to all sustainable gases including RFNBO and RCF, which means that the biomass/RFNBO/RCF-fraction of the gas is determined by purchase agreements and not analyses.

We also welcome that it is clarified that proof of registration and withdrawal from the Union database can be used to determine the fraction of zero-rated carbon for biomass, RFNBO and RCF.

In the newly adopted MRR guidance for ETS 2 very important rules was introduced that allow for mass balance approach to determine the biomass fraction in blended or co-distributed fuels. This is crucial and very much welcome. With that the ETS system is reflecting how the market works and can thus become an important steering instrument for increased share of fossil free fuels.

All renewable or fossil gases uses the same infrastructure and distribution network - on grid or off grid, in gaseous form or liquid form. The possibility for co-distribution of fossil and renewable gases and allocation based on purchase agreements and proof of sustainability via a mass balance system is crucial for an effective gas market and for the transition of the user sectors to fossil free energy. As we interpret the ETS 2 guidance, this will be possible for gaseous fuels both on-grid and off-grid within ETS2.

However, with this amendment of the MRR we expected a clarification that the fraction of zero-rated carbon may be determined by a mass balance approach according to the RED Article 30, allowing for blends and co-distribution of gases with different origin, and where the zero-rated fraction is determined and allocated to different users by purchase agreement and validated by the sustainability and mass balance system imposed by RED. Some of the new suggested paragraphs regarding RFNBO and RCF may be interpreted in such direction but clear provisions allowing for mass balance approach for all gaseous fuels both in ETS 1 and ETS 2 are still missing.

The Swedish Gas Association urge for amendments in the MRR that clearly introduces a general possibility to use purchase agreements and the RED mass balance approach to determine the fraction of biomass fuels, RFNBO, RCF and low carbon gases (thus to determine the zero-rated fraction) both for ETS 1 and ETS 2 – not only for gas grids but also off-grid.

With the Union database (which will register all gaseous sustainable fuels including biomass fuels, RFNBO and RCF for any energy purpose) an extra layer of protection against fraud or double counting is added to the already robust certification and mass balance systems in place. Proof of sustainability complemented with Guarantees of origin is another way achieving the same certainty and extra protection against double counting.

3 The renewable gases and why mass balance is important

Fast and cost-effective transition from fossil gases to biomethane, bio-LPG, bio-DME, gaseous RFNBO or RCF as well as low carbon gases are crucial for reaching the climate goals. For this to happen it is of utmost importance that effective market-based mass balancing rules is applied within both ETS 1 and ETS 2.

Biogas/biomethane offers solutions to several human long-term challenges: climate, soil fertility, clean water, and good air quality. Biomethane turns a waste problem into a resource. Scientific findings show that biomethane contributes, directly or indirectly, to every one of the 17 UN Sustainable Development Goals. Most technologies tend to solve one problem at a time. But biomethane is the decathlon winner who may not win every single discipline but performs excellent in all of them. This makes biomethane a particularly cost-effective solution in the transition to a sustainable society.

Bio-LPG is a cost-effective solution that is immediately available to decarbonise and lower pollutant emissions from off-grid heating in homes, local businesses and industries, transport etc. It is a gaseous fuel that contributes to clean air in Europe's countryside and cities. Bio-LPG is a renewable solution that can provide up to 80% emissions reduction compared to conventional LPG. However, these GHG savings are expected to increase when production processes will move towards further use of waste or cellulosic materials as feedstocks. So far, bio-LPG is available on the European market in small, but growing, quantities. Ahead low carbon LPG substitutes such as bio-DME or RFNBO/RCF will be available to the market.

The Swedish Gas Association mean that this mass balance approach, or allocation by actual purchase agreements, instead of using analyses should be allowed for all gaseous biomass fuels. For bio-LPG (bio-propane) this is very important, both to determine the biomass share of the LPG output at the refineries, but also in the following distribution chain. The same is true for LNG/LBG distribution, which often is handled as mixed fuels. Without the possibility to allocate via purchase agreements the cost for infrastructure and transport for the industry become very high, severely reducing the development of the LBG market and use in the ETS sector.

The Swedish Gas Association, together with the Swedish gas industry, have drawn up a roadmap to show how energy gases can contribute to promoting fossil-free competitiveness. The roadmap clearly shows that the gas industry supports Sweden's and the EU's ambitious climate goals and wants to be involved and contribute to the transition. The EU ETS is an important instrument on this journey. But for the EU ETS to become the cost-effective instrument it is destined to become, users of biogas and bio-LPG must have the possibility to reduce their emission allowance costs by increasing their use of biogas, bio-LPG, RFNBOs or RCFs, also when the renewable gas have been distributed together with fossil gases.