Simplification of biomethane certification framework needed

Improvements to the system of certifying biomethane will create a truly Single Market that increases production and demand

- **Key points:**
- Current biomethane certification framework was not designed for biomethane market.
- Single certificate by using strengths of both GO and PoS will create more harmonised and robust biomethane market.
- UDB as main database with national production registries as best of both worlds
- A single certificate will allow for the certification framework to align with practice of biomethane market

Introduction

Biomethane is a sustainable and renewable energy source that can be produced completely in Europe. It has great potential to contribute to the energy transition and is already playing a vital role in defossilisation of various sectors. Moreover, it is crucial for the energy independence of Europe. For its potential to be reached it is critical that the current certification framework is updated. Biomethane is also the cheapest renewable gas available today.

The current biomethane certification framework is based on two types of European certificates that were not designed for the renewable gas market. The Guarantee of Origin (GO) was initially developed for renewable electricity and the Proof of Sustainability (PoS) for liquid biofuels. With the publication of the Renewable Energy Directive II (Directive 2018/2010) those certificates became applicable to biomethane. Next to that, various national certificates were introduced before the RED was implemented or are being developed.

In the meantime, the biomethane market grew rapidly and due to having to work with certificates designed for other energy carriers trading is complicated which creates barriers to the European Single Market and allows for different interpretations on essential aspects. For example, it is currently not possible to trade and/or send a Guarantee of Origin between all EU Member States. Additionally, producers in some EU Member States need to issue or request two different certificates for the same consignment of biomethane.

These and other barriers hinder investments and uptake of biomethane in Europe. ERGaR strongly believes that several critical improvements to the framework can support the demand and supply of biomethane.

An ideal system with one single certificate for a harmonized biomethane market

A futureproof biomethane certification framework should follow a number of principles to increase investments and demand. The principles that should be considered for a suitable biomethane certification framework are:

- Robust and reliable: Robustness and reliability to avoid double counting is vital.

- Single certificate for all use cases: A single certificate or declaration for biomethane instead of GO, PoS or national certificates will reduce complexity, uncertainty and administration.
- Harmonised market: The framework should create a harmonised market where biomethane can be traded cross-borders between all Member States.
- Common interpretations on key elements: Interpretations of sustainability rules often differ between Voluntary Scheme or even auditors of the same scheme. To create fair competition there should be guidance to reduce differences in interpretations to a minimum.
- National production registries: Since certifying biomethane comes both with questions and requires solid checks a national registry is critical.

Proposed changes to create Proof of Origin/Guarantee of Sustainability

Both the GO and the PoS pose strengths and weaknesses to the biomethane market. By combining the strengths of both certificates while optimising current redundancies and inefficiencies a suitable framework for biomethane market integration can be designed.

In principle it doesn't matter if there will be changes to strengthen either the GO system or the PoS system. To avoid any confusion and changes to the system for other energy sources such as the GO for electricity, ERGaR believes it is best to create a new certificate. This can be based on the GO system with some adaptations. Even though it is called Proof of Origin (PoO) in this paper, the exact name can be discussed. To create this Proof of Origin for the biomethane sector, the following changes are proposed:

- **All PoS data fields are relevant to Biomethane Certificates**
  The PoS has important information such as GHG emissions and a proof of compliance with sustainability rules. These data should also be available on the PoO. Now it is already possible to include most of the data on GO and it would require only minor updates to the current way of working. The Voluntary Schemes will still be responsible for checking compliance with the sustainability rules and inform national registries about the certified producers. It is similar to the proven approach in various Member States where they link the GO and PoS.
- **Use Union Database as EU-wide registry for single certificate**
  A well-functioning Union Database (UDB) as defined in the RED has the potential to create a harmonized market that allows trading of biomethane over the full EU. However, it is set-up for a combination of the GO and PoS. This means biomethane that is not certified via a Voluntary Scheme (i.e. GO only) cannot be tracked via the UDB. The obligation to transfer the GO to the UDB should be extended to all PoOs irrespective weather there is a PoS for the biomethane. This will create one system of tracking the ownership instead of two systems with the UDB and GO registry working in parallel for different biomethane. It will also reduce the risk of double counting.
- **National production registries or data centers for biomethane**
  A national production registry or data center has various advantages. It allows for simplified business processes for producers and increases trust in the system. It will be more capable to check the production facilities that are not certified by Voluntary Schemes. This will reduce the risk of fraud. Moreover, this registry or data center could function as a national contact point to support biomethane producers with their certification process and related questions. Additionally, it will reduce the risks for errors and double counting as there is only one database/registry that will issue the certificate. As a direct data deliverer to the Union Database, a national registry or data center will provide direct and streamlined business

processes instead of back-and-forth communication between the GO registry and UDB. Finally, it will be simpler and reduce administration for producers when they only have to provide their information once instead of both to the national GO registry and UDB. Last but not least, there only remains little need for the implementation of additional national requirements which significantly increases harmonization throughout the European Union.

- **Workable import and export rules**

  The energy market is an international market with biomethane being imported to and exported from the EU. The UDB should have realistic and pragmatic rules to facilitate the import and export of biomethane.

- **Extend lifetime of gas GOs**

  The current practice in gas trading is that gas will remain in the system for longer than the 18 month lifetime of a GO. It is realistic to extend the lifetime of the gas GOs. Also, the option of making biomethane certificates storable in parallel to the physical biomethane being storable.

- **Clear rules on mass balancing**

  Mass balancing is an essential characteristic of biomethane trading and required for the compliance market. A new system should still require mass balancing of biomethane to ensure trustworthiness. However, the rules should be clearer and more harmonized. They shouldn't result in various cumbersome and complex methods to be compliant with the rules, while not creating any added value for the energy transition.

  A cornerstone of the mass balance rules is the EU gas grid being a single logistical facility according to Implementing Regulation 2022/996. This is a vital point in the creation of a Single Market for biomethane. Moreover, all parties involved in biomethane trading (except the off-taker) should be certified by a voluntary scheme. This should include the obligation for having a gas license for at least the companies buying and selling biomethane at the injection and withdrawal point.

Conclusions

Biomethane has the potential to play an important role in the energy transition. It is currently the cheapest available renewable gas. And its current production volumes and cross-border transferred values show that biomethane is already now a green element of the European gas and energy market. To reach its full potential it is critical to establish the right framework for biomethane certification. A framework that reduces bureaucracy, creates a harmonized Single Market and limits uncertainty. ERGaR is convinced that the changes proposed in this document will improve the European market for biomethane. It will increase both the production and uptake of biomethane and encourage a step further in the energy transition.