

# EUROGAS RECOMMENDATIONS FOR A COMMON GUARANTEE OF ORIGIN SYSTEM FOR ALL GASES

## Eurogas position

- **Eurogas believes that a liquid and efficient EU-wide market with full cross-border trading for all gases, including renewable, low carbon and decarbonised gases<sup>1</sup>, should be developed.** This market should be supported by Guarantees of Origin (GO)<sup>2</sup> issued for all renewable, low carbon and decarbonised gases. GO should carry GHG and sustainability information and should be used for disclosure towards end-consumers. The possibility to comply with targets through a harmonized EU wide system of certifications, inter alia, the GO system (extended to include GHG intensity information) and sustainability certificates should also be considered.
- **Issue:** The [Renewable Energy Directive](#) (RED) introduces two systems with different scope, requirements and purposes: the sustainability certification with requirements such as minimum GHG savings, and the GO used to disclose the renewable origin of energy. There are various models of sustainability certification in the EU, the issuance of GO for gas is not mandatory in every MS and only optional for energy from non-renewable sources. The value of renewable, low carbon and decarbonised gases as decarbonisation solutions is thus not perceived by consumers and, as a consequence, their cross-border trading is hampered.
- **Traceability:** Sustainability certification requires mass-balancing by tracking a (share of) sustainable product along the value chain. On the other hand, GO use the book-and-claim principle, which decorrelates the certificates from the physical flows of the underlying commodity, allowing the separate trading of certificates while at the same time ensuring the quantities produced and claimed are balanced. Once injected into the EU gas system as a single logistical facility, there is no difference between mass-balancing and book-and-claim making it no longer necessary or practicable to physically track products<sup>3</sup>.

## Eurogas recommendations

- 1. Develop a unified system of GO for all renewable, low carbon and decarbonised gases:**
  - a. The EC should immediately recommend that MS use the option included in Art. 19 of RED II to issue GO for non-renewable decarbonised gases. In the future, the RED should be revised to replace this optionality by an obligation.
  - b. There should be one GO system based on the book-and-claim principle to avoid market fragmentation and to encourage trading.
  - c. The blending of all renewable, low carbon and decarbonised gases into the network, along with developing new dedicated hydrogen infrastructure and repurposing existing underutilised infrastructure, should not be hindered by regulatory roadblocks and administrative burdens.
  - d. GO should be disclosable to any end-user in the EU market and there should be no regulatory limit on the amount that can be used when withdrawing energy from the system, thus facilitating a market driven allocation of renewable, low carbon and decarbonised gases.
- 2. GO should include carbon footprint and sustainability information. This would enable their use for compliance under other policies such as the ETS and the RED:**
  - a. GO should include GHG information to allow their use as a common 'currency' informing on the lifecycle climate value of energy carriers, allowing cross-sectoral recognition and use of renewable, low carbon and decarbonised gases in policies such as the ETS or in the transport sector under the CO<sub>2</sub> standards.
  - b. GO should also include information related to sustainability to allow their use for compliance under the RED and other EU policies.

<sup>1</sup> Include: Biomethane, synthetic methane, renewable hydrogen, low carbon and decarbonised hydrogen

<sup>2</sup> The RED defines a Guarantee of Origin (GO) as an electronic document to provide evidence to a final customer that a given share/quantity of energy was produced from renewable sources. GO cover 3 energy vectors: electricity, gas (incl. hydrogen) or heating/cooling. GO are for example used by electricity suppliers/consumers to self-green the grid electricity supplied to them, either by bilateral purchases or from an exchange. The same approach should apply to gas suppliers.

<sup>3</sup> A system of mass-balancing with the EU gas grid as one single facility (as proposed by the European Renewable Gas Registry in its [RED MB scheme](#)) and the book-and-claim system would have very similar characteristics

## ANNEX – WHY/HOW TO IMPLEMENT THESE RECOMMENDATIONS

#	Recommendation	Why	How
1.a	<i>The EC should immediately recommend that MS use the option included in Art. 19 of RED II to issue GO for non-renewable decarbonised gases. In the future, the RED should be revised to replace this optionality by an obligation.</i>	As recognised by the EC, non-renewable decarbonised gases such as hydrogen made from natural gas by using carbon capture or made from electricity (based on a mix of technologies) will be necessary to kickstart the hydrogen market. Member States should use the option of issuing GO for such gas. To avoid a fragmented GO market and foster its development, this option should become an obligation. Information contained within the GO shall allow end-users to clearly identify if the origin of the gas is renewable or not.	Encourage the use of the option to issue GO for energy from non-renewable sources included in Art. 19 of the RED II. As soon as possible, it should be replaced by an obligation.
1.b	<i>There should be one GO system based on the book-and-claim principle to avoid market fragmentation and to encourage trading.</i>	<p>The RED II prescribes to have three types of GO: for gas (incl. hydrogen), electricity and heating &amp; cooling. Having one GO system for all renewable, low carbon and decarbonised gases is the not only compliant with the text of Art. 19 RED II; it is also the best approach to develop their market and avoid fragmentation. Considering each gas separately would add unnecessary administrative fees and burden for market players, hamper the development of hydrogen technologies by reducing the eligible customers, which would stunt the development of a traded GO market at the time when the swift inclusion of renewable, low carbon and decarbonised gases in the traded markets is paramount.</p> <p>As already foreseen by the RED, it is central that GO are traded separately from the physical energy following the book-and-claim principle. Once injected into the EU gas system as a single logistical facility, there is no difference between mass-balancing and book-and-claim making it no longer necessary or practicable to physically track products. Trading GO freely, including across borders, will be necessary to create value for all renewable, low carbon and decarbonised gases to increase customer' awareness and to facilitate their development.</p>	<p>Ensure that only one GO is issued for all renewable, low carbon and decarbonised gases.</p> <p>Establish a GO system which allow them to be freely traded, following the characteristics of the book-and-claim principle.</p>
1.c	<i>The blending of all renewable, low carbon and decarbonised gases into the network, along with developing new dedicated hydrogen infrastructure and repurposing existing underutilised infrastructure, should not be hindered by regulatory roadblocks and administrative burdens.</i>	When addressing users connected to an existing gas distribution network, blending is a cost-effective solution contributing toward decarbonisation and allowing the integration of renewable, low carbon and decarbonised gases, especially during their ramp-up phase. Currently the majority of electrolyzers are connected at DSO-level and considering the time required for the hydrogen backbone to develop, blending will be most efficient solution to break the current chicken and egg problem for distributed end-users. Blending in the distribution networks should therefore be encouraged and not lead to additional costs or administrative burden. The injection of hydrogen into the gas network at the transmission and/or distribution level, should not require a gas GO to be converted due to the different physical and chemical intrinsic properties of renewable, low carbon and decarbonised gases and blending should not require a new GO to be issued. Otherwise, it would go against the idea of having one GO for all renewable, low carbon and decarbonised gases and a system based on the book-and-claim principle.	Develop a single EU standard covering all gases, as requested in RED II, supporting an efficient GO system, which will not introduce unnecessary GO conversion step or issuance.

1.d	<i>GO should be disclosable to any end-user in the EU market and there should be no regulatory limit on the amount that can be used when withdrawing energy from the system, thus facilitating a market driven allocation of renewable, low carbon and decarbonised gases.</i>	GO need to be freely tradable across countries and fully transferrable from one holder to the other. Similar to the GO system in the electricity sector, there should be no regulatory limits (i.e. not based on actual injection into specific transport systems) on the amount of GO that can be used when withdrawing energy from the gas network. As long as the end customer can use hydrogen, there is no need to virtually limit what amount of GO that can be claimed. The concept ‘virtual blending’ evoked by the EC in its <a href="#">Hydrogen strategy</a> can only be explored in a GO market following fully the book-an-claim principle and not stunting the free trade of GO.	Develop a framework which does not unnecessary limit the amount of GO that can be used by users withdrawing from the grid. Ensure a uniform and coordinated EU market where free trade of GO is possible.
2.a	<i>GO should include GHG information to allow their use as a common ‘currency’ informing on the lifecycle climate value of energy carriers, allowing cross-sectoral recognition and use of renewable, low carbon and decarbonised gases in policies such as the ETS or in the transport sector under the CO<sub>2</sub> standards.</i>	Issuing GO for non-renewable low carbon and decarbonised gas and including lifecycle GHG information will create the necessary foundation to use GO in other policies. For example, in the ETS, their use is currently limited to biomethane: it should be extended to all renewable, low carbon and decarbonised gases: ETS operators would have more flexibility to choose the most suitable decarbonisation tool. Similarly, there should be a cross-sectoral recognition of the lower GHG footprint of these gases, including in the transport sector under the CO <sub>2</sub> standards.	GHG information should be added to the GO, it would require defining default values and a fossil fuel comparator in the RED. Several of these elements could be retrieved from the <a href="#">Directive</a> laying down requirements for the calculation/reporting for the FQD. The <a href="#">ETS Monitoring and Reporting</a> should include the possibility for ETS operators to recognise their use of all renewable, low carbon and decarbonised gases. Finally, the potential contribution of renewable and low-carbon fuels in other end uses sectors such as transport should be considered.
2.b	<i>GO should also include information related to sustainability to allow their use for compliance under the RED and other EU policies.</i>	Currently, the GO and sustainability ‘certificates’ system coexist with different purposes. The various implementation of these systems across the EU is a barrier to further develop the trading of renewable, low carbon and decarbonised gases. In the future, a convergence of these two systems should be explored to overcome market fragmentation. Developing a unified system would enhance compatibility with support schemes and lower the risk of double counting and selling.	A future revision of the RED should consider the inclusion of sustainability information in the GO. This would require additional information/fields in GO and an adaptation to the auditing and verification processes of the sustainability credentials.