

“BIOSURF on biomethane trade in Europe - Work Package 3”

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Why do we need cross-border trade with biomethane?

- ✓ **The general function of trade** (securing supply-demand balances in time and space) is relevant to biomethane too.
- ✓ **Processing and utilising all organic waste** is in the common interest of the mankind – it should not be limited by short-sighted local politics.
- ✓ **New biomethane producing projects can be developed** with a higher chance of success if not limited to the domestic market.
- ✓ **Natural gas/biomethane blends** – having excellent GHG characteristics – must be made available to motorists all over Europe.
- ✓ **International companies with environmental awareness** want to have renewable fuel supplies everywhere.

Work Package 3 – Documents produced:

- ✓ Comprehensive guidelines for establishing national biomethane registries
- ✓ Proposal on cross-border biomethane administration
- ✓ European Biomethane Guarantees of Origin
- ✓ Technical-economic analysis for determining the feasibility threshold for tradable biomethane certificates
- ✓ Market survey on biomethane acceptance and evaluation
- ✓ Proposal for the establishment of national and European biomethane certificate trading platforms
- ✓ Introduction to European biomethane standards

Three pillars of the cross-border biomethane administration

1. **Sustainability verification** (covering production) prior to grid injection and **cross-border transfer of sustainability claim**
2. **Recognition of the European natural gas network for single logistical facility** with regard to biomethane injected into the grid
3. **Mass balancing of injected and withdrawn biomethane** in the European natural gas network

Why do we need the transfer of sustainability characteristics?

The principal answer is in the RED which makes it mandatory:

“Biofuel production should be sustainable. Biofuels used for compliance with the targets laid down in this Directive, and those that benefit from national support schemes, should therefore be required to fulfil sustainability criteria.”

The business reasoning is also formulated in the RED:

*“Sustainability criteria will be effective only if they lead to changes in the behaviour of market actors. Those changes will occur only if biofuels meeting those criteria command a **price premium** to those that do not.”*

The proposed solution:

ERGaR (European Renewable Gas Registry)

- ✓ **ERGaR aisbl** (non-profit international organisation) established 28th September, 2016 in Belgium
- ✓ **ERGaR RED** - biomethane specific voluntary scheme established and operated by ERGaR aisbl
- ✓ **Function: mass balancing of biomethane** distributed along the European natural gas network
- ✓ **Core documents: Proofs of Origin** issued by the national biomethane registries
- ✓ **ERGaR RED seeks recognition by the European Commission** under the RED as a voluntary scheme

ERGaR is foreseen to:

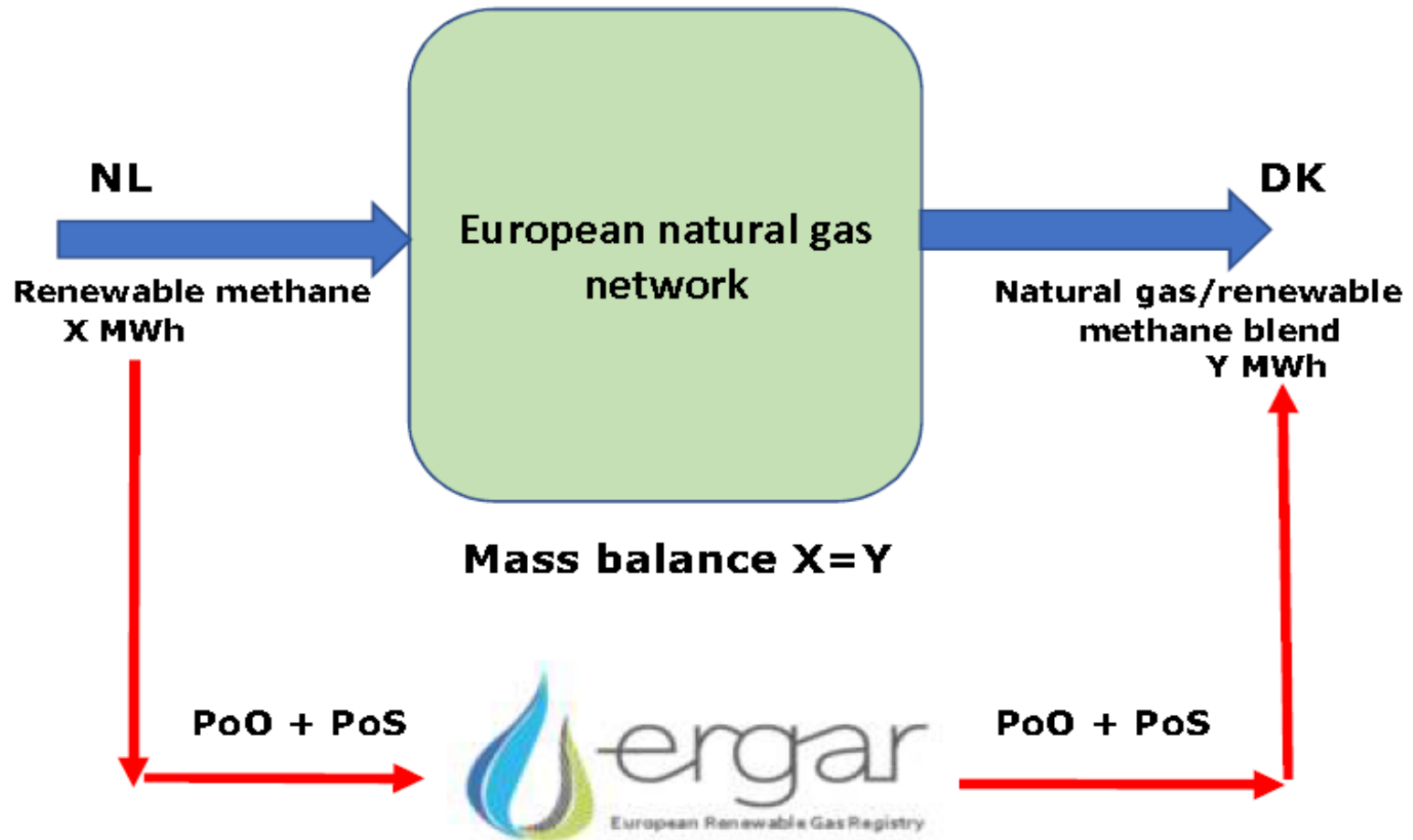
- ✓ be the Europe-wide recognised organisation for **administering and mass balancing volumes** of biomethane virtually distributed along the European natural gas network (Del. 3.2.),
- ✓ **rely on the national biomethane registries** as primary source of documentation (Del. 3.1.),
- ✓ follow **jointly agreed procedures** for issuing and cancelling European Guarantees of Origin for consignments with export destinations (Del. 3.3.)
- ✓ provide for **cross-border transfer of sustainability claims** (GHG emission characteristics) attached to the consignments

RED Recital (76):

*“According to the mass balance method of verifying compliance, there is a **physical link between the production of biofuels (and bioliquids) meeting the sustainability criteria and the consumption of biofuels (and bioliquids) in the Community.**”*

The physical link between the production and consumption of biomethane is the natural gas network, the administration must ensure the balancing of every injected consignment with the corresponding withdrawn consignment.

Mass balancing by ERGaR:



Some conclusions:

- ✓ at current natural gas prices the income from sale does not cover the production costs of biomethane;
- ✓ the threshold value of tradable biomethane certificate on the domestic market is in the range of 89 – 137% above natural gas prices;
- ✓ the number of consumers ready to pay price premium for biomethane voluntarily is limited to a few percent and the price premium is acceptable in the 10-25% range;
- ✓ the gap between the acceptable price premium and the threshold value is far too high;

Some Conclusions:

- ✓ operating a Europe-wide biomethane certificate trade system as the **only** mean of providing biomethane producers with the needed additional income is and will not be sufficient, there must be other financial incentives;
- ✓ marketing **blends of natural gas with biomethane** enables the suppliers to offer acceptable prices for the blended fuel - it is important that natural gas distributors receive the possibility for offering such blends through acquiring biomethane certificates.

Many thanks for your attention !

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