

Ms. Ditte Juul Jorgensen, Director-General, DG Energy
(...)

9 March 2023

Dear,

The Association of Issuing Bodies, AIB, has serious concerns regarding how RED III will regulate the link between guarantees of origin (GO) for gases and the Union Database (UDB) for renewable gaseous fuels, given that both regulatory certification and tracking systems simultaneously apply to renewable gases.

We understand the aim of the UDB is to prevent double claims on the renewable origin of energy. In order to do so it is necessary that the UDB and the GO system work together.

The effective and smooth interfacing between these systems requires that processes are well understood and further detailed.

Herewith we summarize our proposal on how the GO system can support the purpose of the UDB, as further elaborated in the attachment to this letter:

- 1) **Implementation with low disruption while maintaining a single reporting point for Economic Operators:** The implementation of RED II has led to different approaches in different Member States for both GOs and sustainability tracking of transport fuel targets. The implementation of the UDB, while necessary, will cause some disruption on these existing systems for which the overhead should be kept at a minimum. For clarity and correctness of the data, there should be only one single reporting point for the market participants to report to. This helps to achieve clear and correct error handling.
- 2) **Single mechanism preventing double claims while maximising supply chain sustainability information:** Preventing double claims on renewable gases implies changes in the regulation. An efficient implementation of this new approach requires that it is built on the already existing solutions, in particular when some of them combine GOs and proof of sustainability within a single tool or mechanism. More specifically, attaching sustainability information on a guarantee of origin of the same energy unit can help to avoid double consumption claims where the respective interconnected gas network would be the mass-balance system
- 3) **Active dialogue with stakeholders:** A common understanding is needed of how these various solutions work in order to develop the UDB that both prevents double claims on the origin of renewable gases and allows the coexistence of functioning GOs. In order to achieve this, dialogue between UDB designers and GO issuing bodies needs to be enhanced.

AIB and the individual national issuing bodies are happy to contribute with our expertise in managing guarantees of origin. We thank you for the good conversations so far and hope to maintain an open dialogue with the European Commission on the development of strategies and implementation processes.

For more information contact the AIB Secretariat:
Mrs. Katrien Verwimp
(...)

Lukas Groebke

Liesbeth Switten BV,
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Chair of the Board

Secretary General

Annex: full proposal of AIB on the relationship between GOs and Union Database

Proposal¹ of AIB² for the relation between GOs and Union Database

Our understanding of the objective of the Union database

Following the Directive 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (hereinafter – RED II), a Union Database (hereinafter also – UDB) should be put in place to ensure transparency and traceability of renewable fuels. Member States shall require the relevant economic operators to enter into that database information on the transactions made and the sustainability characteristics of those fuels, including their life-cycle greenhouse gas emissions, starting from their point of production to the fuel supplier that places the fuel on the market. A Member State may set up a national database that is linked to the UDB ensuring that information entered is instantly transferred between the databases.

For renewable liquid fuels, the UDB is needed as currently there is no harmonised overview of the physical fuel flows between different countries. For gaseous fuels, there is also a guarantees of origin (hereinafter also – GO) system in place to provide proof of renewable gas consumption in the EU following article 19 of RED II. For gaseous fuels, the European gas grid is the mass balance system and in the GO system, data verification for produced and consumed gas is carried out on a national level (by a nationally appointed entity).

We understand the key objective of the UDB is to collect the fuel quantities accounted towards national renewable energy transport fuel target. However, the solutions to achieve this objective (**the methods for this data collection**) can differ between countries.

1) Implementation with low disruption while maintaining a single reporting point for Economic Operators

The implementation of RED II has led to different approaches in different Member States for both GOs and sustainability tracking of transport fuel targets. The implementation of the UDB while necessary will cause some disruption on these existing systems that should be kept at the minimum.

Economic Operators rely on certificates issued by EU Voluntary Schemes and National Schemes recognized by the European Commission to show compliance of renewable fuels with sustainability and GHG emission saving criteria (sustainability certificates) towards National Databases. Usually, accounting towards the national renewable transport fuel target is based on dedicated certificates that confirm compliance with sustainability and GHG emission-saving criteria of the energy produced in the respective production plant during a certain period. Some Member States account for the national renewable transport fuel target based on GOs that have such certified sustainability information attached to them as an attribute. Optimal use should be made of verification processes existing in relation with GO issuing, transfer and cancellation supervised by Issuing Bodies.

With the implementation of the UDB and the ongoing operation of National Databases, reporting based on GOs with attached sustainability certificates would facilitate reporting for Economic

¹ This proposal is an expert opinion of AIB based on its experience in managing GO systems but not necessarily reflects the opinion of all members, who may not have the mandate to decide on this topic.

² AIB is association of issuing bodies, that develops, uses and promotes a European, harmonised and standardised system of energy certification for all energy carriers: the European Energy Certificate System – EECS. More about AIB can be found: <https://www.aib-net.org/>. AIB recently set up a taskforce EECS Products, consisting of various national issuing bodies that consider the link between GO and proof of sustainability, and what the EECS can do to enhance reliability and efficiency. As this group discusses also the link between GOs and the UDB and fears that misunderstandings could lead to too restrictive legislation, it developed the content set out above.

Operators by increasing transparency and reliability without creating too much administrative burden for market participants.

The risk if Economic operators, in addition to their reporting to the relevant national database, would also report directly to UDB, is that there is no central control on deviations from national data collection. To ensure that there are no data discrepancies in different systems and for correctness of the data, **there shall be one reporting point for the local market participants to report** to on renewable gas production and consumption.

It can be a national organization (such as the GO registry) that sends the information on renewable gas production (GO issuance) as well as consumption (GO cancellation) from nationally collected data to the central UDB:

- a) first local market participants provide information to the national GO registry and
- b) then the national GO registries provide information to the UDB.

Direct reporting by economic operators to the UDB can be a solution if there is no national database for renewable gas production data in place in the respective country.

In conclusion, for clarity and correctness of the data, only one single reporting point for the market participants on a national level helps to achieve clear and correct error handling.

2) Single mechanism preventing double claims while maximising supply chain sustainability information

Preventing double claims on renewable gases implies changes in the regulation. An efficient implementation of this new approach requires that it is built on already existing solutions, in particular when some of them combine GOs and proof of sustainability within a single tool or mechanism.

To avoid any double consumption claims (and potentially double state aid) while allowing cross-border trading of renewable gases, solutions for providing proof of transport fuel target compliance should be harmonized, also for gases. **Attaching sustainability information on a guarantee of origin of the same energy unit can help to avoid double consumption claims where the respective interconnected gas network would be the mass-balance system.** This leads to providing proof of renewable gaseous fuels production and consumption for national transport target compliance accounting being based on guarantees of origin.³

As GOs are legally designed to be the proof of uniqueness for informing consumers on the origin of the energy supplied to them, our understanding is that GOs can become the carrier of information for all certification purposes for the represented energy, complemented by EU Voluntary and National Schemes. Sustainability is one of the characteristics of renewable fuels which results from the environmental attributes of the renewable gas amongst other factors (such as storage, transport, distribution, etc.). If one unit of renewable gas which is eligible⁴ to receiving a GO, can claim also

³ This approach has been successful in the Estonian example: from 2021, there is only reporting point for biomethane production and consumption data in Estonia – the national GO issuing body (national GO registry). In Estonia, the market participants provide input in the national GO registry and then it is the national GO registry that forwards the required biomethane production and consumption data (including biomethane sustainability information) to other institutions (the Environmental Board, Statistics Estonia, Estonian Tax and Customs Board and Grid Operators). In Estonia, all national statistics of biomethane production and consumption are based on guarantees of origin.

⁴ Following art.19 of the REDII, member states are obliged to issue a GO upon request of a producer. The member state may only decide to not facilitate this in relation with financial support.

another certificate that is separated from that GO, double counting might be the result. Therefore, proof of sustainability shall be one attribute of a GO to avoid double-counting.

It can be organized in such way that **the sustainability certificates are collected from local producers / economic operators and the sustainability information is attached to GOs in the national GO registry** – as such, linking GO and sustainability information. As a result, renewable gas GOs can be used for consumer disclosure purpose as well as for fulfilling national renewable energy targets when complemented with further documentation: while not being the only certification system needed, the national GO system then constitutes the main carrier of information for all purposes.⁵

While quality (composition etc.) of produced renewable gas, and quantities of **produced and consumed gas must be validated – this validation is typically carried out at a national level**. As the GO issuing body already collects this information for GO issuance and cancellation, we propose that the member states organize to validate the correctness of this information provided by the market participants. Depending on the national configuration, this may be the national GO issuing body or its agent (national GO registry).

As time is too short to detail in the ongoing draft of the revision of the renewable energy directive who should do what, the RED III text should ensure that this aim is reached without causing damage to the GO system. Note that a concrete risk is in misinterpretation of the terms transfer (change of ownership), trade (a commercial transaction) and cancellation (redemption of the environmental value) in relation to GOs. Member States' registries cannot cancel GOs after they transferred them to the UDB, while it is understood that the UDB is not equipped for documenting ownership, trade or transfer of GOs.

AIB, therefore, proposes to phrase this relation (in REDIII art. 31.a§4?) as follows:

"The registration of the withdrawal of a consignment of renewable gas shall only take place after proof was provided that GOs, issued for this consignment, are cancelled for consumption at the same location as the place registered for withdrawal of this gas."

This phrasing also leaves room for situations where the gas is not immediately consumed at withdrawal from the grid but is further transported or converted in a further supply chain.

3) Active dialogue with stakeholders

A common understanding is needed how these various solutions work in order to develop the UDB that both prevents double claims on the origin of renewable gases and allows the coexistence of functioning GOs. **AIB is open to discuss further evolutions to its energy certification system in relation with the overall needs for a swift integration**. In order to achieve this, dialogue between UDB designers and GO issuing bodies, as well as EU Voluntary Schemes and third parties, needs to be enhanced.

Regarding UDB currently we are still missing a clear overview of responsibilities and mechanisms for validating and providing relevant data to achieve its purpose. We call for jointly creating more clarity on the relationships between UDB and GO system.

AIB is looking forward to further dialogue, strengthening cooperation and providing its knowledge support to the European Commission to develop a well-functioning system. As system facilitators, we are happy to support the development of thoughts and help find solutions.

⁵ This approach has been successful in Estonia, Lithuania and in the Netherlands.

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