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Stockholm den 2022-06-17

Answer to draft act for production of renewable transport fuels – share of renewable electricity (requirements)

Introduction

The Swedish Gas Association (Energigas Sverige) welcomes the EU's ambitious comprehensive approach to climate policy. The climate package "Fit for 55" is an important big step in reducing emissions by at least 55 per cent by 2030 and achieving climate neutrality by 2050 – two urgent targets that the Swedish Gas Association fully supports and stands behind.

Hydrogen has long been an important raw material within parts of the Swedish process industry. Most of the hydrogen used today in Sweden (approximately 6 TWh per year) is used in industry, mainly in the chemical and refinery industries, and is of fossil origin. Since the EU's hydrogen strategy¹ was presented on 8 July 2020, there is no doubt that the EU Commission sees hydrogen as a key player on the road to zero net emissions in 2045. The EU Commission has identified three core elements of the Union's joint energy transition where hydrogen is one of them, along with electrification and energy efficiency. The Swedish Gas Association supports that assessment.

The Swedish Gas Association also support the REPowerEU plan and its target of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of renewable hydrogen imports by 2030. However, it is important that all EU-regulation help and not risk hindering the EU from achieving its goals. In this respect, the Swedish Gas Association sees a risk that proposed act hinder the fulfilment of REPowerEU's objectives.

The proposed act was mandated from a directive negotiated in a time before the EU Commissions hydrogen strategy was presented and prior to the recent geopolitical events. Therefore, our pledge is to interpret the additionality requirements in REDII as wide as possible. It should be considered to have (1) geographical and temporal correlation defined as broad as possible, e.g. on country or even EU-level and (2) on yearly or prolonged monthly granularity. The first allowing the hydrogen economy to make use of the EU internal energy market and trade across borders, for example to be able to have PPA:s across bidding zones and borders of MS. The latter leading to reduced costs of hydrogen production and enables large scale projects.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0301&from=EN>

The Swedish Gas Association's view on the proposed Delegated act on additionality of renewable for the production of RFNBOs under the Renewable Energy Directive

Definition of renewable hydrogen in article 2

A definition of renewable hydrogen should include renewable hydrogen from biogas or other biomass

The Swedish Gas Association disapprove with the definition of 'renewable hydrogen', as in the proposal is written as "*hydrogen derived only from renewable energy sources other than biomass.*" It is illogical that renewable hydrogen should exclude production from renewable sources other than renewable electricity. A definition of renewable hydrogen should also include biogenic hydrogen as hydrogen from reforming of biogas or from gasification of biomass. This is the case in the definition of renewable hydrogen in the EU hydrogen strategy² which is written "*hydrogen produced through the electrolysis of water (in an electrolyser, powered by electricity), and with the electricity stemming from renewable sources. The full life-cycle greenhouse gas emissions of the production of renewable hydrogen are close to zero. Renewable hydrogen may also be produced through the reforming of biogas (instead of natural gas) or biochemical conversion of biomass, if in compliance with sustainability requirements.*"

The Swedish Gas Association considers that the purpose to at all have a definition of renewable hydrogen in the proposed act is very unclear. After all, the Commission is not requested to define renewable hydrogen. What is requested from the Commission is only to develop a reliable Union methodology to ensure that the electricity used to produce RFNBO:s is of renewable origin including rules for (i) the temporal and geographical correlation between the electricity production unit and the fuel production, and (ii) ensuring that the fuel producer is adding to the renewable deployment or to the financing of renewable energy. In that request it is included to develop a definition of RFNBO, but not renewable hydrogen.

One problem with that the Commission has chosen to define renewable hydrogen as hydrogen derived only from renewable energy sources other than biomass, is that biogenic hydrogen is not included.

A definition of renewable hydrogen excludes the important e-fuels

Another problem with defining renewable hydrogen the way that it is proposed is the fact that renewable hydrogen can be used for purposes other than production of RFNBO and it is therefore of great importance not to lock in the definition in only energy sources from non biological origin.

RFNBO is the name for so-called e-fuels (or electro fuels) where hydrogen (e-H₂) is one of several different possible fuels. The hydrogen is one of the building blocks for other e-fuels, where the hydrogen gas, for example, reacts with carbon dioxide when certain electrical fuels are produced. By only defining renewable hydrogen instead of RFNBO, the important e-fuels (except e-H₂) are missed.

The Commission should therefore instead clarify how the production of RFNBO should be defined. That is, in order to be classified as RFNBO, the hydrogen used in the production must be produced from renewable electricity according to the specification in this specific proposed act.

² A hydrogen strategy for a climate-neutral Europe, Brussels, 8.7.2020 COM(2020) 301 final

Conclusion about the proposed definition of renewable hydrogen

The Swedish Gas Association believe that renewable hydrogen should not be defined in the proposed act. What should be defined is how the electricity that is used for production of hydrogen, which in next step is used for production of RFNBO, should be produced to be classified as renewable. If the Commission maintains that renewable hydrogen is to be defined in the delegated act, then the Swedish Gas Association considers that also biogenic hydrogen from reforming of biogas or gasification of sustainable biomass should be included. The Swedish Gas Association also states that it, in that case, must be clarified how the e-fuels fits in the delegated act.

For Electrolysers directly connected to the RES Plant or within the same installation (article 3)

The Swedish Gas Association considers it positive that the requirement that the installations generating renewable electricity must come into operation not earlier than 36 months before the installation producing RFNBO (36 months) are the same as for grid-connected RFNBO production. However, the Swedish Gas Association considers that the time period should be longer than 36 months.

The Swedish Gas Association also support that directly connected RFNBO production can sign PPA with additional RES plants even if these receive state-aid. See also the comment under article 4 below.

The Swedish Gas Association also support that the installation producing electricity can be connected to the grid if a smart metering system shows that no electricity has been taken from the grid to produce RFNBO (art. 3(c)).

For Electrolyser connected to the grid (article 4)

The Swedish Gas Association considers it positive that the requirement that the installations generating renewable electricity must come into operation not earlier than 36 months before the installation producing RFNBO (36 months) are the same as for electrolysers directly connected to the RES Plant. However, the Swedish Gas Association considers that the time period should be longer than 36 months.

The Swedish Gas Association do not agree with the restriction that the installation generating renewable electricity must not have received support in the form of operating aid or investment aid or that the support must have been fully repaid. It is in great importance that renewable electricity production expands rapidly and receiving state aid has nothing to do with if the production is renewable or not. However, it is of course very important to safeguard the competition in the internal market, but this purpose is already regulated by the EU state aid rules. In summary, the Swedish Gas Association considers that the possibility to support a production plant through state aid and under which circumstances that is allowed, should be, and already is, regulated in the state aid regulation and should not be restricting when electricity is considered renewable and not.

Grids with high share of renewables in the power mix (article 4.1):

Some bidding zones in northern Sweden have more than 90 percent renewable electricity production, but the south of Sweden will have to comply with the strict rules under articles 3 and 4.2.

The Swedish Gas Association welcomes the concept of Article 4(1) as a general exemption for bidding zones where the average proportion of renewable electricity exceeded 90 percent. However, the Swedish Gas Association believe that the Commission should consider lowering that limit to set a good incentive for Member States to decarbonise their power systems even faster.

This is because countries that are "almost there" get incentives to increase the pace to get an additional share of renewable electricity production.

Furthermore, the wording on this exemption should be clarified. As it is written today, it is not clear if it refers to the share of renewable energy sources in gross final electricity consumption, or production in the bidding zone.

Missed opportunity and risk of double counting not using the GO system

Guarantees of Origin are issued for most renewable electricity, and soon will GOs be issued also for renewable gaseous energy carriers following Art 19 in REDII. If the rules on RFNBO in the DA is not at all linked to the GO system, there is a missed opportunity for an efficient and transparent verification process. The Commission should consider building the RFNBO rules on the use of GOs, which has one of the important purposes of avoiding double claims. At the least, a requirement to cancel any GOs issued for the renewable electricity purchased and claimed for the RFNBO production is crucial to avoid double counting of the renewable attributes.



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