

## **Comments on the Commission's proposal for revision of the Renewable Energy Directive (RED II)**

The Swedish Gas Association – Energigas Sverige, the industry organisation in Sweden – is thankful for the invitation to contribute comments on the Commission's revision of the Renewable Energy Directive (hereafter called RED III), 14 July 2021.

The Swedish Gas Association has only had a short time to examine the proposal, and thus has only been able to analyse it a limited amount of detail. It is also difficult to ascertain how RED III interacts with other proposals within the "Fit for 55" package and to assess the combined result. A deeper impact assessment of the combined effects of the proposals is required.

### **Summary**

The Swedish Gas Association is positive about the increased ambition around renewable energy and the EU's more stringent binding targets. However, we are doubtful that the introduction of increasingly detailed regulations and sub-targets for different types of energy and sectors will help to meet these targets. The proposal is equally likely to increase administrative requirements, complicate the use of national instruments, and prevent the application of cost-effective market solutions.

We are strongly critical of the Commission's proposal for a series of provisions for more stringent sustainability criteria for bioenergy – forest biomass in particular – especially since the sustainability criteria established in the 2018 in RED II have yet to be implemented in many places across Europe. This risks further inhibiting sustainable bioenergy and making it more expensive.

The Swedish Gas Association also sees risks in the Commission's proposal to use delegated acts to decide on certain provisions, potentially long after the Directive goes into force. This makes it nearly impossible to know the implications of certain goals and regulations, and it offers stakeholders little opportunity to influence the Directive. We also ask that different renewable fuels and types of energy be treated and valued equitably in RED III, as well as in other legislation, by applying life-cycle analysis evenly, with reference to actual conditions.

The Swedish Gas Association also believes that both the ambiguities of the Union database and its potential to benefit only specific fuels are so substantial that it should not be extended to cover all sustainable gases. Instead, renewable gases should be completely removed from the database until a comprehensive solution can be delivered, with a fully-developed, functioning system of guarantees of origin (GO). As an alternative, GOs could be used until the point of delivery to the end customer, and only at this time (when the GO would be cancelled) should it be necessary for the gas to be registered in the Union database. We also oppose the Commission introducing additional requirements through delegated acts.

### **Increased ambition is positive, but increased regulation via multiple sub-targets is problematic**

The Swedish Gas Association endorses the recommendation to raise the binding target to a 40% share for renewable energy in the EU. We are, however, doubtful about further sectoral goals, especially binding ones. It is a positive development that the use of renewable hydrogen is being stimulated, but we are critical of the introduction of additional binding requirements at EU level that specify individual technologies, while restricting the use of other forms of bio-energy. This includes the binding sub-target for renewable fuels of non-biological origin in the transport sector, and the binding target for the use of hydrogen in industry (it states that by 2030 at least 50% should consist

of renewable hydrogen from electrolysis). In this context, we re-emphasise that hydrogen can also be produced through the reformation of biogas or via biomass gasification. All sustainable and renewable forms of energy should be assessed and their potential to contribute to targets should be made on the basis of life-cycle analysis of their emissions, rather than through mandatory quotas for individual forms of energy, raw materials or technologies.

We are positive about the change in the form of the renewable energy target for the transport sector from a measure of the volume of energy to a reduction in GHG intensity, even though we feel that the level of ambition is far too low. We support the deletion of Article 7a of the Fuel Quality Directive (FQD). It no longer serves a function, since the target in Article 25 has been changed to a reduction target.

However, we oppose the prescriptive nature of this legislation which effectively states how the transport goal should be achieved. We believe the Directive should be structured so that it does not imply the introduction of a quota obligation (*MS shall set an obligation on fuel suppliers*). Flexibility, so that different national instruments can be used to achieve the goals, must be upheld. For vehicle gas in Sweden, with a biomethane share of 95 percent, it is not appropriate to have a quota obligation, but the option to continue applying tax exemption and production support must be secured.

The Swedish Gas Association is also strongly critical of the Commission's continued reluctance to use life-cycle analysis to calculate emissions in, amongst other areas, CO<sub>2</sub> standards for vehicles. This position precludes new biogas cars in Sweden beyond 2030 (in the absence of a crediting scheme or Carbon Correction Factor as proposed by the gas industry). Conversely, it is in RED III proposed that Member States introduce a credit system with negotiable certificates for renewable electricity, to enable fuel suppliers to use it to meet their obligations towards the transport targets. Such detailed regulation that determines how Member States should design and apply accurate national instruments is inconsistent and also unilaterally benefits a specific technology (that is, electric vehicles) without reference to actual climate benefits.

The Swedish Gas Association is positive about the proposal to end, for the most part, double-counting for certain types of biofuels. We are also in favour of the improved rules regulating how renewable fuels of non-biological origin (RFNBO) contribute to renewable energy targets.

## **Important decisions should not be postponed and regulated by delegated acts**

The Swedish Gas Association believes that the Commission's mandate to impose regulations by delegated acts after the Directive has been approved should be applied with great caution. This arrangement makes it nearly impossible to know the implications of certain goals and regulations, it lacks transparency, and it denies stakeholders a meaningful opportunity to influence legislation. The Swedish Gas Association rejects, for example:

- that the Commission, through delegated acts, is given the mandate to extend the scope and requirements of the Union database, Article 31
- that delegated acts can decide on the criteria for what should be classified as an RFNBO and for how their greenhouse gas emissions are to be calculated, for a period of five years from the entry into force of the amending Directive, Article 29. Since RED II and Article 28(5) state that the Commission shall adopt delegated acts on calculation methodology by 31 December 2021, why would the decision regarding RFNBOs be postponed until 5 years in the future? It is unreasonable to introduce binding targets for RFNBOs before confirmation of how they are to be classified and quantified.

- that the Commission, through delegated acts up to one year after entry into force of the Directive, shall design provisions for the cascading principle and decide which forms of biomass shall be considered sustainable for use as bioenergy.

## **Sustainability criteria should not be revised before their implementation has begun**

The Swedish Gas Association rejects the proposal for stricter and more numerous sustainability criteria. Criteria need to have been in place for a number of years and their impacts evaluated before it is reasonable and worthwhile to revise them, and only then if it can be shown that the criteria lead to the environmental risks that the Directive seeks to avoid. There are, at present, extensive administrative requirements for bioenergy – additional detailed rules, reporting requirements and criteria are not appropriate at this time. They would reduce the potential for sustainable bioenergy to contribute to climate goals by preventing biomass from being utilised, while hampering investment and driving up bioenergy costs.

The Swedish Gas Association opposes the introduction of provisions on the cascading principle as a condition in RED III, and rejects the proposal that the Commission shall, through delegated acts, determine the provisions that will determine which forms of biomass may be used for bioenergy, and which instruments may be used to manage the utilisation of forest biomass as bioenergy. The Swedish Gas Association supports the general principle behind the Directive, but asserts that this principle is already widely applied in Sweden. Adding such detailed regulation at EU level – with regard to the sustainability criteria of bioenergy – risks misguidedly hampering the bioeconomy and hindering the availability and use of bioenergy.

We believe that governance should ensure that all renewable energy is assessed evenly, on the basis of life-cycle emissions, so that the climate impact of electricity or e-fuels is not underestimated as a result of using artificial calculation principles or comparisons with fossil fuels. This applies to both RED III and other legislation, including CO<sub>2</sub> standards for vehicles. In calculating the contribution of renewable electricity as a fuel to the reduction target for the transport sector in RED III, Article 27 proposes that the reduction shall be calculated by multiplying the amount of renewable electricity by the fossil fuel comparator for electricity ( $EC_{F(e)} = 183 \text{ g CO}_2\text{e/MJ}$ ). It is proposed that the amount of renewable electricity supplied to the transport sector be determined by looking at the electricity production mix in the relevant territory over the past two years.

This is not an acceptable way of making this calculation, for a number of reasons. Firstly, fossil gasoline and diesel are being replaced, so the reduction in emissions from renewable electricity in the transport sector must be calculated using the fossil fuel comparator for transport (94g CO<sub>2</sub>e/MJ), as is done with every other fuel, rather than using the fossil fuel comparator for electricity which is based on the EU average with a large proportion of fossil-derived power. Secondly, the fossil-based emissions of non-renewable electricity used in the transport sector are not taken into account.

Thirdly, it is assumed that emissions for non-renewable electricity are 183g CO<sub>2</sub>e/MJ (this can be surmised, because these are the assumed savings when *renewable* electricity is used in the transport sector). Given that only a small percentage of the electricity in the EU comes from renewable sources, it is completely illogical that electric vehicles in the CO<sub>2</sub> standards, for example, are classified as zero-emission vehicles, whereas biogas vehicles (which can have an emission reduction of more 100% if powered by biogas from manure) are classified as producing emissions in line with fossil-powered combustion engines. The Commission has introduced politically-constructed, implausible methods for calculating the climate benefits of electricity in

transport. We must employ life-cycle analysis methods that are based on reality and consistency, to fairly determine targets and calculate GHG reductions for all energy sources.

The Swedish Gas Association additionally asserts that the proposed revision should not cover amendments to technical issues such as GHG calculation rules or evaluation of residues. We oppose the amendment in Annex VI, point 18:

*“Residues that are not included in Annex IX and fit for use in the food or feed market shall be considered to have the same amount of emissions from the extraction, harvesting or cultivation of raw materials,  $e_{ec}$  as their closest substitute in the food and feed market that is included in the table in part D of Annex V.”*

This amendment should be removed, because it alters the meaning of ‘residues’, complicates calculations, and impedes the development of sustainable bioenergy.

We interpret the proposal to mean that the provisions in RED II about which raw materials are included in Annex IX remain unchanged, which is important. The principle that the Commission can (subject to certain criteria) add raw materials to the list in Annex IX, but that no raw materials can be removed from the list should be preserved. The Commission should not, by means of delegated acts, be able to reclassify or amend the contents of Annex IX other than adding materials. Biogas from residual products and waste must always be considered advanced in view of biogas's unique circular nature (that residual products can be converted into high-quality, climate-protective energy while also recycling nutrients via biofertilizers) and its many environmental and societal benefits.

## **Use of the Union database for renewable gas should be abolished in the absence of a comprehensive solution**

The Commission intends to set up a Union database to trace sustainable biofuels and proposes that it be extended to include all liquid and gaseous renewable fuels and recycled carbon fuels. The Swedish Gas Association opposes this proposal until such time that a functional, comprehensive solution can be presented on how to best handle cross-border trade in renewable gases. The Commission also proposes to, through delegated acts, extend the mandatory information to be recorded in the database, to the extent that all transactions involving raw materials (including waste and residues, intermediates, etc.) be reported. The Swedish Gas Association rejects this proposal.

It is still very unclear how the Union database will work, what the extent of its administrative burden will be and, not least, how it will bring about increased trade in renewable sustainable fuels. For gaseous biofuels, there is not yet an indication that the database will amount to anything more than extra verification and reporting requirements, with additional administrative costs as a result. There is little evidence that it will facilitate cross-border trade and promote the use of renewable gases, because it lacks elements such as tradable certificates or guarantees of origin (GOs) that would actually serve a purpose in the market. It is also very unclear how the database will relate to the guarantees of origin for gas that are currently being implemented around Europe and in Sweden.

Until it is made clear how the Union database will work, how it will relate to guarantees of origin, and how it can promote trade, sustainable gases should be excluded. Instead, the GO system that is currently being implemented should be used as the primary method of tracking gaseous fuels and for transfer of information on the origin and sustainability information. The only connection to guarantees of origin is that the Commission proposes to cancel any GOs, once the gases are recorded in the Union database. In Sweden, the vast majority of renewable gas will need to meet the sustainability criteria. In the event that the Commission's proposal is accepted, all these gases will need to be registered in the Union database, and so the GOs will be cancelled and have no

function in the marketplace. In this scenario, what would be the purpose of the guarantees of origin?

If the Union database will nevertheless be applied to renewable gases, we propose an alternative solution to how GO and the Union database can be used jointly. Gas does not need to be registered in the database before it is used or delivered to the end customer if the gas is registered in the GO system. In those circumstances, the GO system can (when possible and when information on sustainability criteria is linked to the GO) incorporate traceability and transaction information from production to end use. When the GO is to be cancelled (that is, when the gas is used), it can then be registered in the Union database.

The Swedish Gas Association argues that instead of moving forward with the Union database for all sustainable renewable gases, solutions should be sought and proposals formulated around guarantees of origin. These market instruments have the potential to achieve the objectives of traceability and origin marking, while minimising the risk of double counting. The potential for guarantees of origin to become credit instruments in various regulations and targets should be investigated. The current proposal does not provide answers, but rather increases the risk of putting parallel administrative systems in place, that ultimately do not promote trade or the use of renewable gases.

Yours faithfully,

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