CONSULTATION RESPONSE

Response to ISCC Consultation on the EU Mass Balance Guidance Document (v 1.0)

Energy Traders Europe welcomes the opportunity to comment on ISCC's consultation on the EU Mass Balancing Guidance Document. Key points we wish to make regarding the issues are listed below, followed by more detailed reasoning. We remain available to continue the discussion and provide any additional information that may be required.

Key messages

1. **General concept of mass-balance & verification of the chain of custody**: the verification of the chain of custody should make sure that transactions of biomethane occur between certified economic operators (producers or traders). Consistently, the key the necessary conditions are:
   a. That all economic operators who trade biomethane are **certified** (see point 6a);
   b. That all transactions ensure **contractual transfer of molecules accompanied by PoS**;
   c. That an economic operator is able to demonstrate, or take ownership, of the molecules and PoS within the single mass-balancing facility at the end of the mass-balancing period (as per ISCC EU Guidance 203);
   d. That what an economic operator takes out of the single mass-balancing facility (or sells to another economic operator within the single mass-balancing facility) **does not exceed** what it brings in or buys from another economic operator within the single mass-balancing facility (as per Guidance ISCC EU 203 "Traceability & Chain of Custody").

2. It should be made immediately clear that **bioLNG and biomethane belong to the same product group**, as they have similar chemical properties, even if they don't have similar physical properties. This is in line with IR (EU) 2022/996 definition of "product group". Confusion must be avoided.

3. **We recommend drafting a separate Guidance for Biomethane and establishing a dedicated Working Group within ISCC** to address biomethane mass balancing.

4. The **"interconnected infrastructure", which works as a single mass balancing system, is not limited to the "grid"** (as it includes LNG terminals and storage facilities), **nor to the "EU" territory**, as there is no explicit reference in the relevant Implementing

Regulation (EU) 2022/996 definition. We suggest avoiding references to "*EU interconnected gas grid*" and replacing with "*interconnected gas infrastructure*" instead.

5. We recommend **avoiding references to "virtual transfers"**, which may give rise to misunderstandings and divergent interpretations of the system described in this Guidance, ultimately calling into question the principle of the non-separability of molecules and PoS.

6. On the **requirement for traders to hold a "license", under Paragraph (2) of Section 3.2.3.**, we argue that there should be just **two conditions** for economic operators to be allowed to trade biomethane in the single mass balancing unit, and these are:

a. **being certified** under the ISCC or other recognised voluntary schemes;
b. having the status of "**network users**" within the meaning of the Gas Directive (EU) 2024/1788 **or relying**, via a service agreement, **on an agent able to operate as a network user in any of the entry-exit systems within the geographic boundaries of the interconnected gas infrastructure**.

However, recognising the high complexity and significant variations across Europe, **we believe that the description of the underlying physical reality should remain outside the scope of the ISCC Guidance** and, more broadly, **of the rules set by voluntary schemes**. Therefore, to avoid introducing unnecessary and harmful restrictions, a broad range of scenarios should be both acknowledged and accepted. These may include, but are not limited to:

a. The **producer could be a shipper and manage the nomination independently** and then sell at the hub (or at the withdrawal);
b. The **producer could rely on a shipper**, as a service provider, for the nomination but keeps the title to gas which it transfers within the hub (or at the withdrawal);
c. The **producer could sell at the injection point**;
d. The **producer may sell the molecules to a local shipper**, retain the PoS and ahead of the sale of biomethane, purchases from the hub grey molecules and associate them to a PoS for the sale to a trader.

In light of this, **the requirement that "*traders must hold the necessary license to transport gas from the physical injection point to other parts of the grid, including the VTP*" seems inaccurate and harmful. We call for its deletion from the Guidance.**

7. **DSOs and TSOs should not act as "additional verifiers" of mass balance** and should not be required to be ISCC- or VS-certified. This would create an unnecessary administrative burden on the entire system. As a general principle, we emphasise the importance of standardising the documentation that verifies biomethane injection at the metering point.

8. **Liquefaction**

   a. In light of the upcoming adoption of the recast Implementing Regulation (EU) 2022/996 and its crucial role in enabling **mass-balanced liquefaction**, we stress that **no new requirements enforcing higher factored GHG emissions should be tabled, as this would be displacing what is currently the most efficient liquefaction pathway. Liquefaction,** whether physical or mass-balanced, should be supported by clear and plausible conversion values, **the level of which should be evidence-based.**
   b. While the total absence of such values might be controversial, the **use of virtual, outdated, or unfounded default values** (e.g. outdated GHG intensity of the electricity mix) **would undermine the efficient use of the gas infrastructure.** In either case, the development of the bioLNG market would be hindered, posing significant and unnecessary challenges to the decarbonisation of the transport sector.
   c. The quantity of bioLNG or biomethane that can be claimed from a plant should be limited to the amount that can physically be processed by the plant, or the maximum **daily send-out capacity** of the corresponding certified LNG terminal. Capacity should thus not be limited to onloading capacity.
   d. The BOG liquefaction based on a condenser is not addressed – views on how this pathway should be treated would be welcome.

Contact

Stefano Grandi
Manager Gas Committee
s.grandi@energytraderseurope.org