

Energy Traders Europe's Position on Establishing Conditions for Developing the Italian Biomethane Market

Energy Traders Europe wish to provide recommendations on establishing the conditions to promote the development of integrated biomethane markets in Italy and Europe.

Key messages

- Harmonising certification systems across the EU will facilitate the establishment of an integrated biomethane market.
- Guarantees of Origin are not a valid certification instrument to account biomethane towards the RED targets and to claim it as zero-rated towards the EU ETS.
- Data aggregation, if any, should proceed from the GoO to the PoS, rather than vice versa.
- Sector identification should not be required until the moment of cancellation, rather than at time of issuance, of the GoO, to prevent unnecessary barriers to trade.

Detailed comments

1. National implementation of EU commodity market regulations should not fragment the IEM

The internal energy market is one of the EU's greatest successes, allowing buyers to source the cheapest available energy and providing access to global markets and reliable price signals during disruptions. While decarbonisation should not compromise this market efficiency or security, isolated national actions may unintentionally do so.

Some Member States have used financial aid to promote early growth in renewable gases production, restricting exports during this stage. If made permanent, this will prevent the re-establishment of cross-border trading essential for regional security and price transparency. Using different certificates across markets implies that biomethane produced in one country might not be recognised by a neighbouring Member State, raising transaction costs for market participants, which must build and maintain separate systems for each market where they operate.

2. Guarantees of Origin do not represent a valid certification instrument for target accounting

The establishment of a European Union Database and of a common standard for PoS certificates will contribute to achieving convergence of all European regimes, but not while Member States retain Guarantees of Origin (GoO) operating under their own individual national arrangements.

The European Commission has specifically approved¹ voluntary national or international schemes setting standards to produce renewable fuels (e.g. biomethane) and recycled carbon fuels that certify production plants against the RED III criteria by means of the so-called “annual certificates”. Therefore, sustainability declarations issued by system users of any such scheme (PoS) ensure compliance with **the sustainability criteria** laid down in Article 29(2) to (7) of RED II and III. This implies that PoS issued to renewable liquid and gaseous fuels constitute **a valid certification instrument** for the legally binding target accounting policy requirement across Europe², while GoOs, whose issuance remains an optional request of producers, **do not**.³ While the issuance of GoOs is subject to different verification and auditing schemes, and mutual recognition between registries is still pending, EU-wide harmonisation of PoS is already existing and fostering cross-border trade.

3. A certification system based on GoOs would hinder the link to the UDB foreseen by RED III

The current system in Italy, where the national registry (GSE) issues GoOs by aggregating PoS information concerning the mass balanced traceability of biomethane, does not fully align with the intended principles of EU law (Article 31a RED III). As highlighted by the European Commission in response to ERGaR and AIB in the non-public document "Questions on Union Database" (15 December 2023), indeed, **data aggregation** – which should nonetheless remain optional – **should flow from the GoO to the PoS, rather than the reverse**. Should the Italian authorities not adhere to the above principle during the transitional period set by the EU Commission for Member States to connect to the UDB until the transposition of RED III (i.e., by May 2025⁴), compliance with regulatory requirements would not be ensured. This situation would lead to a **lack of regulatory certainty**, leaving market players and shippers unclear about the applicable regulatory framework.

4. The Italian certification system poses barriers to cross-border trade of GoOs

We are also worried about the requirement, outlined in Article 11.3 and 11.4 of the *GO Decree* of 14 July 2023⁵, mandating the inclusion of the reference to the PoS and of the information on the final use sector of the GoO at the time of its emission.

Given its uniqueness in Europe, this requirement affects cross border trade by **preventing the possibility to cancel foreign GoOs within the Italian borders** which do not contain this information. It effectively limits Italy's ability to import biomethane, thereby reducing supply security and competition, as well as diminishing the potential to ensure the best prices for customers.

¹ [Voluntary schemes under the Renewable Energy Directive](#)

² Art. 3(1), 15a (1), 22(1), 23(1), 24(4), 25(1), 30 (9) RED III.

³ Art. 19(2) RED III.

⁴ [EU Commission statement, 2nd PMG Go Workshop on UDB](#)

⁵ [Decreto GO, 14 Luglio 2023](#)

Moreover, the division by sector at the point of issuance of the GoO leads to an unnecessary and **harmful reduction of market liquidity** for GoOs produced within the country, by reducing the overall availability of biomethane in the market which could be used for different purposes. With the aim of allowing cross-border trade and increasing market liquidity, then, it is advisable that, for unsubsidised or imported volumes, **the sector identification is not required until the moment of cancellation, rather than at time of issuance.**

Recommendations

Considering what is discussed above, we believe that in order to set the conditions for the Italian biomethane market to flourish, the Italian authorities should:

1. Consult regionally with neighbouring Member States and the industry to **develop common standards and processes for certification of biomethane**, and avoid putting in place processes that prevent recognition of biomethane produced in other Member States.
2. Pursue the harmonisation of national regulatory framework with the European one, in a way that preserves the economic stability and financial balance of investments in existing or pending completion renewable gas production plants.
3. Ensure that, as provided by the Recital 110 of RED II, PoS issued by certified users of **voluntary schemes recognised by the Commission are accepted in Italy** for compliance purposes (e.g., use in ETS) even if disconnected from the GoOs.
4. Implement PoS certificates as the European standard.
5. Leave the possibility to **merge PoS information into GoOs as a voluntary decision** for RES gas producers. The presence of sustainability information in GoOs should not be required for cancellation in the country.
6. **Defer the GoO sector identification for unsubsidised or imported volumes to the moment of cancellation, rather than of issuance.** GoOs should be phased-out when they become a constraining factor for producers and consumers.

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