



GGCS Guidance Document 9 – Recognition of RGGOs within the EU ETS and UK ETS

Version 1.3 – December 2023

Version 1.0, 1.1 and 1.2 of this guidance were titled *EU ETS and Green Gas Certificates*.

This document sets out information relevant to the potential use of RGGOs by gas consumers obligated under the UK Emissions Trading Scheme (UK ETS) and the EU Emission Trading Scheme (EU ETS). We welcome input from obligated companies and others in this sector.

This guidance was first published when the UK was still a member of the EU and participating in the EU ETS. Since the start of 2021 the UK has operated a separate scheme, the UK ETS. For that reason below you will see details of conversations with UK regulators that relate to both schemes.

The paper sets out in chronological order developments that are relevant to the situation at the point this version is being published.

GGCS cannot advise members on the acceptance of RGGOs within the EU or UK ETS as applied in individual members states and the UK, which is at the discretion of national level regulators e.g. DEHSt in Germany or the Environment Agency in England and Wales. Only those regulators can provide the relevant guidance and we note that such guidance is subject to change on an ongoing basis.

1. THE STARTING POINT

The European Commission set out guidance for the EU ETS in 2012 called 'Biomass Issues in the EU ETS', which recognised that biomethane to grid could - where an 'appropriate accounting and verification system (...biogas registry)' was in place - be used by operators to reduce reported CO₂ emissions. The relevant text is reproduced in the text box.

5.2 Biogas in natural gas grids

If Member States want to make use of biogas in a natural gas grid and want to make the benefits thereof easily accessible to operators of EU ETS installations, they need to establish an appropriate accounting and verification system (e.g. using a biogas registry) which allows the accurate, transparent and verifiable identification of biogas amounts fed into the grid and consumed by installations, effectively avoiding double counting of biomass. The system also needs to make provisions for avoiding data gaps or double counting if the grid is connected to other grids, including in other Member States.

The GGCS undertook research in 2018 to evaluate the extent that this route for biomethane was being used in the EU ETS:

- Germany - the German emission trading authority (Deutsche Emissionshandelsstelle, DEHSt) were accepting certificates from the DENA Biogasregister as a substitute for emissions certificates, as referenced (in German) in a November 2017 DEHSt monitoring and emissions guide.
- Denmark - biomethane certificates from Energinet's registry were being recognised under the EU ETS. This means that obligated companies may use Biomethane Certificates to offset CO₂ emissions in their emission trading scheme balance.
- The Netherlands - we understood that Dutch authorities were not accepting biomethane certificates (issued by Vertogas¹) to lower an installation's EU ETS obligation. The use of biomethane to contribute to emissions reduction would be only considered when a party with an obligation was directly consuming the gas.

¹ Vertogas is a subsidiary of NV Nederlandse Gasunie and carried out the 'Guarantees of Origin' (GvO) scheme for renewable gas on behalf of the Ministry of Economic Affairs and Climate Policy at the time. As of January 2023, Vertogas merged with the electricity GoO registry to become VertiCer.

- UK - the UK Environment Agency EU ETS helpdesk responded to an enquiry from the GGCS in mid-April 2018 stating that biomethane via the grid could be treated the same way as biomass - i.e. "effectively treated as [a] zero" emissions source. The text of their response is reproduced in the text box below.

"If an installation is included within EU ETS by carrying out a regulated activity, anything listed in Annex 1 of the directive, then all CO₂ emissions from those installations should be reported. However where biomass is used the operator does not have to purchase allowances to cover the CO₂ emissions from that biomass, the emissions are effectively treated as zero.

With regards to the Green Gas Certification Scheme (GGCS) the same would apply. If it can be proved that the gas is "green gas" under the certification scheme then it would be counted as biogas.

"'guarantee of origin' means an electronic document which has the sole function of providing proof to a final customer that a given share or quantity of energy was produced from renewable sources as required by Article 3(6) of Directive 2003/54/EC;"

In terms of reporting we would expect that the operator has proof that they receive natural gas through a supplier in the GGCS. This would be some kind of documentation from the supplier. We know that the actual gas used may not be biomass but you can claim that it is by being part of the scheme. However the green gas certificate will only cover a specified volume of gas and it is only this volume of gas that would be zero rated."

Environment Agency EU ETS Helpdesk communication to GGCS 12 April 2018

However, at the same time in an exchange between the UK Emissions Trading Group² (UKETG) and the Heat and Business Energy department at BEIS, it was stated that they felt there was uncertainty over double counting of emission savings along with the lack of third-party verification and that RGGOs could not be used "for the time being" (see box below).

² ETG's membership represents a high proportion of UK carbon emissions covered by the EU Emissions Trading System (EU ETS) providing a forum for discussion and resolution of all aspects of emissions trading and enables communication to take place between commerce and industry, and the UK Government.

The various applications of biogases are a very interesting and fast-growing policy area which clearly has a lot of potential applications, including in the EU ETS. However, as the systems are currently structured, we don't think the accounting infrastructure is quite robust enough at this time for us to support these certificates being acceptable to help offset EU ETS compliance obligations.

In theory what you suggest below would be analogous to the way in which the use of certain biofuels can currently be used to offset compliance obligations in the aviation ETS. However, as things stand the accrediting bodies governing the guaranteeing of these biogas certificates are not subject to the same level of 3rd party scrutiny that the equivalent biofuels are. As such, there is a risk that these certificates could be double-counted under different schemes, undermining the environmental viability of the policy.

For us to be able to consider this further, there would need to be a number of improvements made to the infrastructure governing the issuing and transfers of these certificates. One such improvement would require that the suppliers of these certificates were regulated/audited by an external third party that could provide guarantees to the environmental dependability of the certificate and ensure no double-counting of certificates under different schemes. I understand from colleagues working in this area that there is currently a movement in this direction, and proposals around this are being discussed in various fora across Europe, so this might not be too far off.

Therefore, for the time being at least, we're not able to support the use of green gas certificates for EU ETS compliance in the UK.

Deputy Director, Heat and Business Energy, BEIS, 19 June 2018

A similar response was then received from the Environment Agency following a parallel query by the GGCS:

Unfortunately, after discussions with relevant policy areas in the Department for Business, Energy and Industrial Strategy (BEIS), UK EU ETS regulators are not able to accept Green Gas Certificates as evidence of renewable guarantees of origin, for the time being at least.

The various applications of biogases are a very interesting and fast-growing policy area which clearly has a lot of potential applications, including in the EU ETS. However, BEIS have a number of concerns about the way the systems are currently structured, including around the robustness of the current accounting and verification infrastructure. These concerns would need to be addressed before we could further consider whether these certification schemes could help offset EU ETS compliance obligations.

Response EU ETS Senior Technical Officer, Environment Agency, 10 July 2018

2. GGCS OBSERVATIONS ON THE ABOVE INFORMATION

- i. Following these emails, GGCS introduced these issues to the BEIS Non-Domestic Renewable Heat Incentive (NDRHI) team in August 2018 who confirmed that this is not an issue that BEIS had examined to date.
- ii. On the issue of ‘accounting and verification’ (raised by both BEIS and the Environment Agency) - at the time of making that comment no examination of the GGCS had been conducted by BEIS and we assume they were referring to general uncertainty around these issues and not concerns about the GGCS in particular. The GGCS has an extensive assurance programme in place, and we would welcome any examination of our scheme by any interested party. That did occur 2022 in relation to the Green Gas Levy, after which BEIS appointed us as an Approved Certification Scheme. We are confident that any assessment by the UK ETS team would find our processes were robust.
- iii. In terms of the “environmental dependability” (cited in BEIS’s email), RGGOs are awarded to biomethane produced from schemes that qualify under the NDRHI sustainability rules or equivalent. The UK sustainability rules on biomethane production³ are comprehensive and have been further tightened under the Green Gas Support Scheme. The GGCS is confident that the standards biomethane to grid schemes currently meet would match any potential criteria put in place for (what is now) UK ETS compliance.
- iv. With regard to the potential of ‘double counting’ the use of any green gas subsequently purchased by mainland European customers/suppliers, the GGCS are board members of ERGaR⁴ which facilitates the international transfers of RGGOs with a key focus on ensuring double counting does not occur. It should be noted that our examination to date on this issue is focussed on UK-produced biomethane supplied to UK sites.
- v. The GGCS recognises that, despite the comprehensive systems put in place by the GGCS in establishing a robust system for the monitoring and tracking the production of biomethane injected into the gas grid, if government were to go ahead and allow for green gas certificates to play a part in the UK ETS, there is no guarantee that the GGCS would be the “accounting and verification system” used, or that if the GGCS was used it would not require modifications to our existing systems.
- vi. An important area for government policy is considering to what extent biomethane producers that have already received support under the NDRHI or GGSS are securing additional financial benefit for the same gas through the sale of RGGOs. Throughout 2022 and 2023 RGGOs for subsidised UK biomethane have been used by German EU ETS sites, but it seems unlikely that the UK government would take that approach⁵.
- vii. The fact that some countries allow for the use of grid injected biomethane, where a suitable accounting and verification system is in place, to contribute to an installation’s greenhouse gas emission reductions under their EU ETS obligation, whereas the UK does not allow for such a route, places UK companies at a disadvantage to their European counterparts.

³ Non-Domestic Renewable Heat Incentive (NDRHI) Sustainability Self Reporting Guidance, 23 May 2018, Ofgem.

⁴ ERGaR was founded as a cooperation between European registries of biomethane certificates that will enable cross border trade of biomethane certificates among the member registries. See ergar.org

⁵ For more information on uses of imported biomethane in Germany see here - [Guidance From Dena On Uses Of Imported Biomethane - News - Green Gas Certification Scheme](#)

- viii. A key concern during the conversations of 2018 was uncertainty regarding the UK's participation in the EU ETS after leaving the European Union. The government had stated that the UK was aiming to stay in the EU ETS until at least 2020, and indicated it was supportive of continuing an emission trading system in some form going forward. This Brexit-related uncertainty was also happening at the same time as the examination of Phase 4 of the EU ETS (which operates 2021 – 2030) by government. This increased level of activity has meant that it was challenging to get any further discussions going with the relevant department at the time.

3. CURRENT STATUS OF THE UK ETS

Over the past few years we have seen the following steps by the UK Government in relation to the development of a UK based emissions trading scheme (the UK ETS):

- The UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the European Union Emissions Trading Scheme (EU ETS) on 1 January 2021.
- As with the EU ETS, the UK ETS operates on the same principle that each year, installation operators and aircraft operators covered by the scheme must surrender allowances to cover their reportable emissions. The cap is reduced over time, so that total emissions must fall. Activities in scope of the UK ETS are listed in Schedule 1 (aviation) and Schedule 2 (installations) of the [Greenhouse Gas Emissions Trading Scheme Order 2020](#).

In November 2021 Government set out their first statement on the use of biomethane through the grid and the UK ETS emissions trading stating:

“Biogas fraction in natural gas grids

The UK government has designed a Green Gas Support Scheme to support the generation of electricity produced from biogas such as bio methane. However, it is not a financial support or guarantee of origin scheme for the direct combustion of biogas as a substitute for natural gas (as may be used by UK ETS operators). This means that UK ETS operators can't claim a certain amount of biogas injected into the natural gas grid as part of their purchased natural gas using certificates obtained from their biogas supplier.”⁶

GGCS is unsure of the reasoning behind this statement as the Green Gas Support Scheme is not related to the generation of biogas for electricity and the lack of a guarantee of origin scheme within the Green Gas Support Scheme does not mean that no guarantee of origin schemes are available for tracking for biomethane in the grid. We took the comment to be a holding position.

Following this, the Government then undertook a detailed [consultation](#) on the operation of the UK ETS in March 2022⁷ which made no mention at all of the opportunities for operators to access biomethane via the gas grid with the use of RGGOs. The consultation did, however, look to review the sustainability criteria around the direct use of biomass, stating: “the zero-rating of emissions from solid and gaseous biomass is a result of the Authority having mirrored the approach in Phase III of the EU ETS when designing the UK ETS. The Authority now has the opportunity to align the treatment of biomass in installations with other UK policies. Sustainability criteria are currently

⁶ UK Emissions Trading Scheme (UK ETS): monitoring and reporting biomass in installations, BEIS November 2021

⁷ Developing the UK Emissions Trading Scheme (UK ETS), BEIS March 2022

applied to solid, liquid, and gaseous biomass in other UK policies, such as in the Renewables Obligation, Contracts for Difference, and Non-Domestic Renewable Heat Incentive schemes. These criteria are some of the most stringent sustainability criteria globally and cover solid, liquid, and gaseous biomass”.

Despite the setback of not having a direct question in this consultation, the GGCS continued discussions with industry groups and BEIS (now the Department for Energy Security and Net Zero, DESNZ) and more recently we have seen some positive news. This came in the form of the response to the March 2022 UK ETS consultation, published in June 2023. This included further information on biomethane:

- *“Eight respondents (20%) requested a credit or certification system for biomethane, bioCO₂, biofuels, or low-carbon hydrogen. It was stated that such systems could deliver greenhouse gas emission savings without huge upheaval, as well as helping various sites wean themselves off fossil fuels and on to low-carbon alternatives”. The government response document then goes on to say “Several respondents requested a UK ETS-compatible biomethane certification scheme that would serve to exempt emissions from biomethane that meets certain sustainability standards. We acknowledge the role biomethane will have in delivering net zero. While there are other government support schemes for biomethane, we recognise how the UK ETS can support the development of low carbon technologies as part of a package of measures to deliver emissions reductions. We will explore the interactions between biomethane and the UK ETS and expect to set out further details in due course.”*
- In terms of biomass sustainability issues, the response document says, *“The Authority therefore intends to align the UK ETS sustainability criteria to the criteria currently used in REDII. This will align the UK ETS sustainability criteria with the sustainability criteria used in other UK policies, such as the RTFO and the Green Gas Support Scheme, meaning that there will already be some familiarity amongst relevant UK industry with the criteria we plan to implement.”* And then goes on to say that *“While no changes to this policy area will be made at this stage, we aim to consult again on the full policy design for new UK ETS biomass sustainability criteria before the end of 2023.”*

For full details see the consultation reply embedded in this document, or online here: [Developing the UK Emissions Trading Scheme \(UK ETS\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets).



uk-emissions-trading
-scheme-consultation-

Based on the consultation reply our current understanding is:

- That biomethane via the grid could be recognized as zero carbon within the UK ETS at some point in the future.
- That this would require a further consultation and potentially a change in legislation.
- The type of certificates used to prove the supply of biomethane to UK ETS sites has not been determined and GGCS RGGOs alone would unlikely be enough. In the EU ETS you are now

required to provide proof of sustainability documentation which is likely to be required as it is in the UK RTFO. The GGCS could adapt its processes to meet any requirements put in place in the future e.g. integrate PoS information into our registry.

- There has been no discussion on whether the biomethane allocated to UK ETS sites could be subsidised at point of injection, but we see that as unlikely (despite this happening in Germany).
- If carbon savings are allocated to specific sites then they must not be double counted via the grid emission factor for gas used by other sites. The UK government will need to publish a 'residual mix' for gas as they do for electricity, which would be used by UK ETS sites for any grid gas use where they had not purchased a biomethane certificate. This mix calculates how much biomethane was injected into the grid, how much was allocated to individual sites through certificates such as GGCS RGGOS, and how much is left to include in the "residual mix" itself.

4. CURRENT STATUS OF THE EU ETS

An updated version of the European Commission's 2012 *Biomass Issues in the EU ETS* guidance note, which first allowed for the use of biogas through the gas grid to contribute to operators' emissions reduction strategies (see Section 1 above) was published in October 2022⁸. This was a major revision to the 2012 document (67 pages as compared to the original's 25 pages) and the beginning of the document states that significant additions include "Guidance on biogas in grids [being] extended".

You can access the document in full via the embedded version, or here: [gd3_biomass_issues_en.pdf \(europa.eu\)](#).



Biomass issues in the
EU ETS - Guidance Dc

Section 5.3 of the guidance is concerned with Biogas in natural gas grids and includes the following:

- Specific EU ETS installations may want to make use of such biogas, which they may have purchased from a specified biogas producer or from a gas supplier.
- *"In principle, a monitoring approach using purchase records is allowed. ... For the purchase based approach, Article 39(4) requires that the following conditions are met: there is no double counting of the same biogas quantity, in particular that the biogas purchased is not claimed to be used by anyone else, including through a disclosure of a guarantee of origin"* [p47]
- *"the operator and the producer of the biogas are connected to the same gas grid."*
- *"The MRR furthermore states that for demonstrating compliance with these criteria, the operator may use the data recorded in a database set up by one or more Member States"*

⁸ [Biomass Issues in the EUETS, Monitoring and Reporting Regulation \(MRR\)](#) Guidance Document No 3, European Commission 17 October 2022

which enables tracing of transfers of biogas, which means a “biogas registry” which ensures that every consignment of biogas is used only once.”

- *Where a biogas registry exists within a Member State “it is necessary that actual quantities of biogas can be traded between parties (producers, traders, consumers), and not only GoOs. Where the biogas registry acts as a mass balance within the meaning of the RED II, a certificate in the registry can be considered a purchase record. The proof of sustainability of a (recognised) certification scheme should be included in such certificate, or traded inseparably from the mass balance certificate.”*
- *“Every MWh biogas purchased and claimed as used (either by an EU ETS installation or by any other consumer) must be removed/cancelled immediately from the mass balance, and for every MWh biogas produced, only one certificate must be generated.”*
- To help avoid double counting the guidance states that: *“one of the following approaches can be chosen:*
 - *The Member State in which the biogas is produced, does not issue any GoO for biogas at all.*
 - *The Member State requires immediate cancellation of GoOs at the time the biogas is sold to the end user, i.e. the EU ETS installation.*
 - *The Member State that allows the use of MRR Article 39(4) requires the operator of an EU ETS installation to always cancel without undue delay biogas GoOs of the same quantity and consignment that the actual purchase record of biogas relate to.”*

5. NEXT STEPS

UK ETS

The reference in the government’s June 2023 response to their consultation on *Developing the UK Emissions Trading Scheme (UK ETS)*, stating that they “*will explore the interactions between biomethane and the UK ETS and expect to set out further details in due course*” provides a new route for the GGCS to kickstart discussions once again with DENZ to how biomethane to grid can be accessed by operators under the UK ETS.

We hope that these conversations will progress later in 2024 through the publication of a new consultation.

EU ETS

The continuing development of biogas registries across the EU, alongside the publication of the revised EUETS biomass guidance, provides potential opportunities certificates to be used as part of an operator’s emissions reduction strategies.

The GGCS will look to provide DENZ with additional insight into how this policy is developing across the wider EU emissions trading scheme as they look to develop their own systems here in the UK.

However, GGCS cannot advise members on the acceptance of RGGOs within the EU ETS as applied in individual members states, which is at the discretion of national level regulators e.g. DEHSt in Germany. Only those regulators can provide the relevant guidance and we note that such guidance is subject to changes on an ongoing basis.

GGCS members should note that GGCS Guidance Document 7, on the transfer of RGGOs between GGCS and other biomethane registries, specifically states that “GGCS do not guarantee in any way

that RGGOs transferred to other registries will allow their owners to receive any subsidy, access any support scheme, meet any obligation, or reduce reported emissions, for example within the European Union Emission Trading Scheme”.