GGCS Guidance Document 11 - Impact of Brexit on the GGCS v1.2

Version 1.2 – March 2021

- **The UK has left the European Union and the transition period during which it was a de facto member ended on December 31st 2020**
- **The UK is now a "third country" in relation to European directives, and most importantly for the renewables sector, the second Renewable Energy Directive (RED II)**
- **RED II, which should be implemented by member states by July 2021, introduces a requirement for Guarantees of Origin (GoO) for renewable gas as an EU mandated activity**
- **It is strongly recommended that GGCS members read Article 19 of RED II "Guarantees of origin of electricity, heating and cooling produced from renewable energy sources"[1]**

Current status

Guarantees or Origin (GoO) for renewable gas (RGGOs) have been outside the scope of the 2009 Renewable Energy Directive (RED), however, this is to change with the introduction of RED II which came into effect in 2021 in EU Members States.

As a consequence of BREXIT, RED II regulations will not apply to the UK, and any decision to introduce GoOs for renewable gas in the UK gas market will now be left to the Department of Business Energy and Industrial Strategy (BEIS).

The GGCS is a UK industry-led scheme operating on a "voluntary basis" without any direct policy mandate or regulation from the UK government. To date the introduction and treatment of RGGOs has differed across EU member states, however a number of biomethane registries across the EU have worked closely to allow for greater harmonisation to facilitate cross-border trading of certificates. The GGCS has played an active part in this initiative (ERGaR) and even prior to the 'go live' of this system, there has been significant international interest in transfers of GGCS GoOs to the German DENA biogasregistry based

[1] Included as an annex to this guidance document

on a bilateral cooperation agreement. These trades are unrelated to the UK's new status to the EU as 'third country'[2].

Any use of GGCS RGGOs by gas consumers in EU member states is limited to the rules of that country. At the present time, most companies secure RGGOs to support their corporate emissions reporting strategies following requirements set out by the Greenhouse Gas Protocol and the CDP.

Future developments

RED II comes into force in July 2021 and expands the scope of Guarantees of Origin from renewable electricity, to renewable gas, including biomethane and other renewable gases, and also renewable heat.

EU member states are at various stages of appointing issuing bodies for renewable gas GoO. In some countries there are existing registries e.g. Vertogas in the Netherlands, who, similar to the GGCS in the UK, are already operating on a "voluntary" basis, but will now gain "official" status as the national issuing body. In other member states the operator of the registry may change, and in some countries there will be a registry in operation for the first time.

The UK is no longer required to implement RED II and BEIS has stated that it has no intention at the present time of appointing an issuing body for RGGOs[3]. This document sets out GGCS's understanding around three areas where we believe this decision by UK Government will affect the market for RGGOs.

We welcome input from members as the situation develops.

1) Effect of Brexit in relation to administration of RGGOs for renewable gas in the UK

As stated above, BEIS have communicated to the GGCS and REA that they are not implementing the provisions of RED II around guarantees of origin (see annex 2). This means that UK RGGO market and the GGCS will continue to operate on a "voluntary" industry-led basis as it has done since its inception in 2011.

The GGCS believes it is in the interest to the future growth of the UK renewable gas sector for the Government to support the use of RGGOs and that the government should appoint a single UK issuing body for renewable gas RGGOs. We believe this would increase customer engagement and market demand for renewable gas, and at the same provide assurance to the market on the credibility of RGGOs, encourage greater integration around the use of

[2] See https://ec.europa.eu/home-affairs/what-we-do/networks/european_migration_network/glossary_search/third-country_en
[3] Page 25 - Future Support for Low Carbon Heat & The Green Gas Levy Government response to consultations https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat

renewable gas to other policy areas such as the new UK Emissions Trading Scheme (ETS), the forthcoming Heating and Building Strategy (HABS) as well as allowing for the highest level of access for RGGOs to the growing EU market for renewable gas (see sections 2 and 3 below).

However, references to RED II withing BEIS documents have not completely disappeared. The Green Gas Support Scheme '*Future support for low carbon heat'* consultation specifically asked for views on using the RED II sustainability criteria for biomass feedstocks producing biomethane. Alongside feedback from bilateral discussions with BEIS about supporting the future use of RGGOs we believe that the topic of appointing an issuing body remains an ongoing area of discussion within the department. It remains possible that at some point in the future the UK government will decide to appoint an issuing body for renewable gas GoO that may or may not be the GGCS.

2) Ability to transfer GoO to registries located in the EU

The GGCS has a bilateral agreement with DENA Biogasregister and is in the process of joining the ERGaR Certificate of Origin (CoO) Scheme, which will facilitate transfers to Vertogas (Netherlands), AGCS (Austria), DENA (Germany) and other registries as they join in the coming year(s).

It is possible that these existing arrangements and GGCS's participation in the ERGaR CoO Scheme will be effected by the UK's status as third country. RED II states that *"Member States shall not recognise guarantees of origins issued by a* ***third country*** *except where the Union has concluded an agreement with that third country on mutual recognition of guarantees of origin issued in the Union and compatible guarantees of origin systems established in that country…"* (Article 19.11)

Mutual recognition agreement

The UK has not "concluded an agreement…on mutual recognition of guarantees of origin" and the does not have any plans to do so.

As mentioned above, GoO for renewable gas do not have any official status in the UK but it is useful to look at electricity GoO, which are required as part of the Fuel Mix Disclosure rules. On leaving the EU, the UK has said that it will unilaterally recognise GoO issued in the EU and these can continue (for an undefined period) to be used by suppliers for their fuel mix disclosure and exemptions from FiT and CfD costs[4]. However, this recognition is unilateral, and EU member states are no longer recognising UK REGOs.

BEIS have indicated that this will be reviewed at some point during 2021 and in the "longer term" (defined as at some point after this review) the UK will only recognise electricity GoO on a reciprocal basis. A mutual recognition agreement between the UK and the EU has not been mentioned but this is clearly the structure defined in RED II for reciprocal recognition.

[4] https://www.ofgem.gov.uk/environmental-programmes/rego/energy-suppliers/guarantees-origin-goos

Compatible guarantees of origin systems established in that country,

Article 19 of RED II states that GoO must be issued by "Member States or designated competent bodies" and our understanding is that the UK government does not currently have any intention of designating the GGCS, or any other party, as a competent body for issuing GoO for renewable gases. This has been indicated to the GGCS several times (as recently as January 2021) and we will seek regular updates from BEIS to their view and if it changes from this position. Without government recognition any GoO we issue would not be recognised within the RED II framework.

The other key point on "compatibility" is that RED II dictates that GoO systems must conform with the EN 16325 standard (currently being updated[5]). The GGCS is confident that we can conform to this standard and is in the process of making changes to our Registration Database to comply with aspects of the current version which we believe will be carried over and represent good practice.[6]

One important aspect of conformity with EN 16325 would be a change of the expiry date of the GoO. The GGCS currently operates with a three year and three month expiry date (1185 days), measured from the month the quarter of biomethane injection ends[7]. Until that point RGGOs can be transferred and retired.

The GGCS expects that the EN 16325 standard will require that GoO are only transferrable between accounts for 12 months, measured from the final day of production, and then between 12 and 18 months they cannot be transferred, but they can be retired and allocated to a consumer. If they have not been retired, then after 18 months they will expire without allocation to consumer.

As mentioned above, we are moving towards compliance with the EN 16325 standard. **However the GGCS has not yet planned for, or committed to, the implementation of any changes to our existing expiry process.** If and when, acting under our own initiative, we aligned our expiry process with EN 16325 then we would use a "grandfathering" process whereby RGGOs that had already been issued had our existing expiry date of three years and three months. RGGOs issued from certain date onwards would have the 18 month expiry set by EN 16325 and the 12 month limit on "transferability". We would consult with our Scheme Participants via the GGCS Oversight Panel and give the market as much time as possible to plan for these changes.

However we cannot offer any assurances on the outcome of any process whereby the UK government appoints the GGCS to become an issuing body for renewable gas GoO. We do not have any indication that this is the government's intention, however we believe that it is prudent for Scheme Participants to consider all possible outcomes. In a situation where GGCS were appointed as an issuing body we could be required to implement a change in

[5] https://www.aib-net.org/news-events/aib-projects-and-consultations/fastgo
[6] We will do this regardless of the situation with RED II to ensure we are issuing, transferring and retiring RGGOs according to the best practices of the sector.
[7] For RGGOs issued for gas injected between Jan 1st 2019 and March 31st 2019 the expiry date is calculated as 1185 days from March 1st 2019 .

the expiry process at short notice and there is a theoretical possibility that we would not be allowed to “grandfather” the process.

Considering the above it seems that there is little short term prospect of the UK deciding to align with the new RED II GoO regulations for renewable gas in the EU. The UK’s stated review of GoO in 2021 will provide more information on what the medium to long term situation could be.

Assuming that the UK remains outside the EU GoO system in the short term, the GGCS envisages two possibilities;

1) Registries such as DENA and Vertogas are restricted, as part of their appointment as national issuing bodies for GoO, from conducting transfers of RGGOs with the GGCS. Therefore there will be no routes to export RGGOs from the GGCS, either via the ERGaR CoO Scheme or Bilaterally.

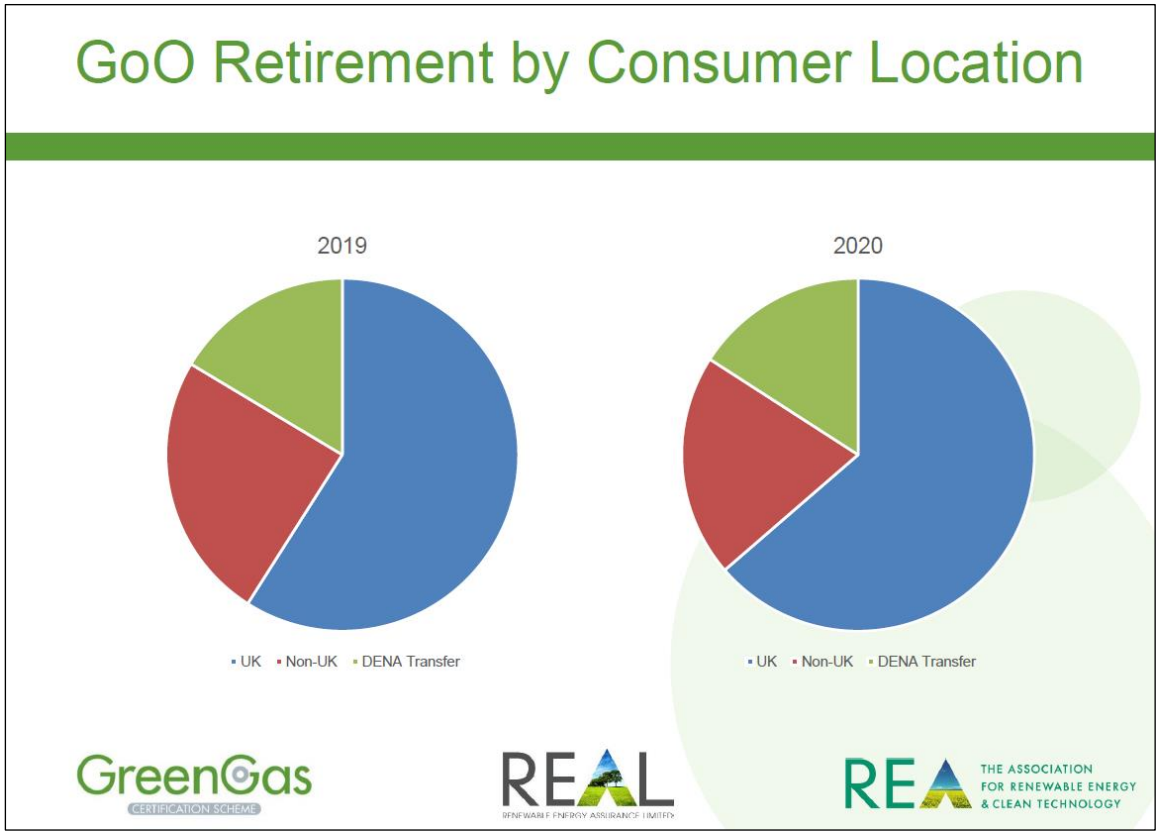
2) Alongside their formal activities as appointed issuing bodies, registries such as DENA and Vertogas, have the freedom to engage in importing and exporting “Biomethane Certificates”, that are not recognised GoO according to European or national legislation, but that customers still see a value in purchasing. Therefore there will continue to be routes to export RGGOs from the GGCS, either via the ERGaR CoO Scheme or Bilaterally.

The GGCS is currently in the process of discussing with biomethane registries in the EU which of these possibilities is most likely, however as the process of appointing issuing bodies has not been finalised in any member state to date there is no certainly on what the rules around those arrangements will be. There may not be a consistent framework across Europe, with some countries taking option 1 and others option 2. It seems likely that it will be towards the end of 2021 before we are able to get a clearer picture.

We will update this paper when we have further information.

3) Demand from non-UK gas consumers for RGGOs issued by GGCS

Over 2019 and 2020, between 20-25% of GGCS RGGOs were retired and allocated to gas consumers outside the UK and in the EU/EEA. In addition around 15% where transferred to DENA and then allocated to consumers in the EU/EEA.



These consumers are a mix of regulated energy utilities and private companies. The table below explains our understanding of the types of "recognition" that these customers get when they purchase RGGOs and how this could be affected by the UK's 'third country' status.

In addition it should be considered that any restrictions on exports of RGGOs to DENA and others will likely reduce demand.

Effects of UK being outside EU GoO system - by Recognition Type		
Recognition Type	**Details**	**Effect of UK being outside the EU GoO system**
Green House Gas Protocol (GHGP)	The GHGP is the most common standard in use worldwide for how green house gases should be measured and recorded. Corporate environment management teams and external auditors and consultants advising companies on the use or RGGOs as part of their emissions strategy should refer to GHGP guidance documents in determining if RGGOs used are valid	The GHGP guidance on the use of RGGOs is currently under review, however it makes no reference to "market based instruments", such as GoO/RGGOs, needing to conform to EU standards, or their being restrictions on cross border use of GoO/RGGOs.

	way to claim to have reduced their carbon impact. See GGCS Guidance Document 15 - GGCS Green Gas Certificates and the GHG Protocol v1.3 – here	Therefore the GGCS does not see any impact on this type of reporting.
Voluntary Reporting Schemes e.g. CDP, GRI, CEMARS	These Schemes create a framework where emission reports can be scored and disclosed to the public. Reporting must be conducted in line with the GHGP and the Schemes typically introduce further measurement requirements e.g. the CDP guidance mentions “market boundary considerations”.	The GGCS is not aware that any of these Schemes make reference to “market based instruments” i.e. GoO/RGGOs, needing to conform to EU standards or their being restrictions on cross border use of GoO/RGGOs related to membership of the EU.
Marketing claim	Companies claim emission savings via their use of green gas without undergoing any formal auditing of their emissions. Such claims might typically appear on a company website or marketing materials and “recognition” is subjective and up to individual customers and other internal and external stakeholders.	As this is principally a marketing process we do not see any impacts on the ability of these companies to continue to make such claims. However their motivations for purchasing GGCS RGGOs are highly subjective and the UK status outside the UK will not help perceptions of RGGOs value.
National Reporting Schemes	In the UK the government issues guidance on “Carbon and Energy Reporting” and organisations who meet certain criteria are required to submit an emissions report annually. It is likely that similar or equivalent corporate reporting requirements are in place in other countries or will be introduced in the future.	It is possible that national reporting schemes in EU member states could restrict the use of GoO/RGGOs to only those issued in the EU.

Fuel Mix Disclosure / Green Tariffs	Licenced and regulated gas suppliers may have a range of requirements placed on them to guarantee their green gas supplies conform to a required standard. For example in the UK for there is defined Fuel Mix Disclosure process which determines if a supplier can claim to have delivered renewable electricity to its customers.	GGCS is not aware of the details of existing requirements on gas suppliers but we would anticipate that this is an area that will receive more attention from regulators as the renewable gas GoO system is formalised in the EU. Some level of restriction on the use of UK RGGOs seems likely.
EU ETS	Limited recognition on a country by country basis – see GGCS Guidance Document 9 - EU ETS and Green Gas Certificates v1.2 – here	No information available.

Appendix 1 – European and and Ofgem Guidance on Guarantees of Origin (GoO)

- European Commission – notice to stakeholder https://ec.europa.eu/energy/sites/ener/files/documents/notice_to_stakeholders_brexit_energy_origin_final.pdf

- Ofgem – Note on use of EU GoO - https://www.ofgem.gov.uk/environmental-programmes/rego/energy-suppliers/guarantees-origin-goos

Appendix 2 – extract from RED II

Article 19

Guarantees of origin of electricity, heating and cooling produced from renewable energy sources

1. For the purposes of proving to final customers the share or quantity of energy from renewable sources in an energy supplier's energy mix and in the energy supplied to consumers under contracts marketed with reference to the consumption of energy from renewable sources , Member States shall ensure that the origin of energy produced from renewable sources can be guaranteed as such within the meaning of this Directive, in accordance with objective, transparent and non-discriminatory criteria.

2. To that end, Member States shall ensure that a guarantee of origin is issued in response to a request from a producer of energy from renewable sources, unless for the purposes of accounting for the market value of the guarantee of origin Member States decide not to issue one to a producer that receives financial support from a support scheme. Member States may arrange for guarantees of origin to be issued for non-renewable energy sources. Issuance of guarantees of origin may be made subject to a minimum capacity limit. A guarantee of origin shall be of the standard size of 1 MWh. No more than one guarantee of origin shall be issued in respect of each unit of energy produced.

   Member States shall ensure that the same unit of energy from renewable sources is taken into account only once.

   Member States shall ensure that when a producer receives financial support from a support scheme for the production of energy from renewable sources, the market value of the guarantee of origin for the same production is appropriately taken into account in the relevant support scheme.

   It shall be presumed that this is the case when:

(a) the financial support is granted by way of a tendering or a tradable green certificate system;

(b) the market value of the guarantees of origin is administratively taken into account in the level of financial support; or

(c) the guarantees of origin are not issued directly to the producer but to a supplier or consumer who buys the renewable energy either in a competitive setting or in a long-term corporate renewables power purchase agreement.

To take into account the market value of the guarantee of origin Member States may, inter alia, decide to issue a guarantee of origin to the producer and cancel it immediately.

The guarantee of origin shall have no function in terms of a Member State's compliance with Article 3. Transfers of guarantees of origin, separately or together with the physical transfer of energy, shall have no effect on the decision of Member States to use statistical transfers, joint projects or joint support schemes for target compliance or on the calculation of the gross final consumption of energy from renewable sources in accordance with Article 7.

3. For the purposes of paragraph 1, guarantees of origin shall be valid for twelve months after the production of the relevant energy unit. Member States shall ensure that all guarantees of origin that have not been cancelled shall expire at the latest 18 months after the production of the energy unit. Expired guarantees of origin shall be included by Member States in the calculation of the residual energy mix.

4. For the purposes of disclosure referred to in paragraphs 8 and 13, Member States shall ensure that guarantees of origin are cancelled by energy companies at the latest 6 months after the end of the validity of the guarantee of origin.

5. Member States or designated competent bodies shall supervise the issuance, transfer and cancellation of guarantees of origin. The designated competent bodies shall have non-overlapping geographical responsibilities, and be independent of production, trade and supply activities.

6. Member States or the designated competent bodies shall put in place appropriate mechanisms to ensure that guarantees of origin shall be issued, transferred and cancelled electronically and are accurate, reliable and fraud-resistant. Member States and designated competent bodies shall ensure that the requirements they impose are compliant with the standard CEN - EN 16325.

7. A guarantee of origin shall specify at least:

(a) the energy source from which the energy was produced and the start and end dates of production;

(b) whether it relates to:

(i) electricity; or

(ii) gas, including hydrogen, or

(iii) heating or cooling;

(c) the identity, location, type and capacity of the installation where the energy was produced;

(d) whether the installation has benefited from investment support and whether the unit of energy has benefited in any other way from a national support scheme, and the type of support scheme;

(e) the date on which the installation became operational; and

(f) the date and country of issue and a unique identification number.

Simplified information may be specified on guarantees of origin from installations of less than 50 kW.

8. Where an electricity supplier is required to prove the share or quantity of energy from renewable sources in its energy mix for the purposes of Article 3 of Directive 2009/72/EC, it shall do so by using guarantees of origin except for the share of its energy mix corresponding to non-tracked commercial offers, if any, for which the supplier may use the residual mix, or except when Member States decide not to issue guarantees of origin to a producer that receives financial support from a support scheme. Where Member States have arranged to have guarantees of origin for other types of energy, suppliers shall always use for disclosure the same type of guarantees of origin as the energy supplied. Likewise, guarantees of origin created pursuant to Article 14(10) of Directive 2012/27/EC may be used to substantiate any requirement to prove the quantity of electricity produced from high-efficiency cogeneration. For the purposes of paragraph 2, where electricity is generated from high efficiency cogeneration using renewable sources only one guarantee of origin may be issued specifying both characteristics.

9. Member States shall recognise guarantees of origin issued by other Member States in accordance with this Directive exclusively as proof of the elements referred to in paragraph 1 and paragraph 7 (a) to (f). A Member State may refuse to recognise a guarantee of origin only when it has well-founded doubts about its accuracy, reliability or veracity. The Member State shall notify the Commission of such a refusal and its justification.

10. If the Commission finds that a refusal to recognise a guarantee of origin is unfounded, the Commission may adopt a decision requiring the Member State in question to recognise it.

11. Member States shall not recognise guarantees of origins issued by a third country except where the Union has concluded an agreement with that third country on mutual recognition of guarantees of origin issued in the Union and compatible guarantees of origin systems established in that country, and only where there is direct import or export of energy.

12. A Member State may introduce, in conformity with Union law, objective, transparent and non-discriminatory criteria for the use of guarantees of origin in complying with the obligations laid down in Article 3(9) of Directive 2009/72/EC.

13. The Commission shall present a report assessing options to establish an EU-wide green label with a view to promote the use of renewable energy coming from new installations. Suppliers shall use the information contained in guarantees of origin to prove compliance with the requirements of such a label.