JOINT OPEN LETTER ON THE REVISION OF THE GHG PROTOCOL'S REPORTING PRINCIPLES

01 December 2022

The co-signatory organisations wish to raise serious concerns to the European Commission about the new draft "Land Sector and Removals Guidance" under development within the GHG Protocol (GHGP) Standard[1]. The new draft Guidance prevents corporate users from using market-based instruments to report reduced GHG emissions from biomethane consumption and as a result can hurt the European Union's efforts to develop 35 bcm of domestic biomethane production by 2030. Specifically, we object to the revision of the GHGP reporting principles from market-based (i.e. emissions determined based on the qualities of the purchased energy product) to location-based (i.e. use of on-site emissions for emissions reporting). **To promote the uptake of biomethane, the GHGP must include a market-based approach**.

Key elements of the GHGP Standard

The GHG Protocol (GHGP) is a private initiative, jointly created by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), "*establishing comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.*" The GHGP is arguably the most relevant global framework enabling private and public sectors to transparently measure, monitor and report the GHG emissions of their operations. Any targets and disclosures under the Science Based Target Initiative (SBTi), the Carbon Disclosure Project and the RE100 initiative uses the guidance it sets. There are currently 2,106 large companies in Europe using the SBTi and its GHGP framework.

Greenhouse gases are categorised into three different Scopes [2]. **The GHGP covers the concept of dual reporting, that is location-based emissions** (kWh consumed * grid factor for the location of consumption) **and market-based** (accounting for contractual instruments).

The GHGP Secretariat is currently developing the new "Land-use and Carbon Removals Guidance", with a draft version under public review until 30 November. **According to Annex B of the draft Guidance, companies using the GHGP would not be able to use market-based instruments**, such as GOs or other certificates, **to report on emissions reductions stemming from the use of biomethane**. **We ask for the already envisaged development of the new Guidance on market-based accounting to be completed by the GHGP Secretariat as soon as possible.**

Implications for the EU energy security and decarbonisation objectives

Although the GHGP is presently considered a voluntary initiative, companies should be able to report against the GHGP by accounting their purchasing decisions (e.g. purchase of biomethane with GOs, or of a PPA coupled with issuance and cancellation of GOs). Otherwise, the new draft Guidance would:

- **Go against the EU framework enabling trade and consumption of biomethane using a market-based approach.** The market-based approach enables companies and consumers to participate actively in the green energy transition. This demand creates an effective "pull" and enables the transition. Based on EU Directive 2018/2001 ("RED II"), registries of Guarantees

[1] Land Sector and Removals Guidance | Greenhouse Gas Protocol (ghgprotocol.org)
[2] See https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf

of Origin (GO) are being set up in all Member States to ensure reliable disclosure of the renewable origin of the gas consumed to end-customers (Article 19 of RED II). Biomethane is recognised as zero-rated under the ETS according to the Monitoring and Reporting Regulation (Articles 38 and 39), provided that the RED II sustainability and GHG savings criteria are satisfied by certification under a voluntary scheme recognised by the European Commission (Articles 25-30 of RED II). The RED II defines easily worldwide applicable criteria to demonstrate the sustainability of biomethane, which can, through safe traceability mechanisms such as the GOs, ensure an effective contribution to decarbonisation.

- **Create a situation where companies cannot achieve their carbon neutrality commitments despite going carbon neutral according to EU regulation.** There would indeed be a mismatch with the mandatory location-based reporting of the GHGP when relying on e.g. Guarantees of Origins and/or Proof of Sustainability, therefore removing the incentives for individual companies to purchase renewable energy in pursuit of their decarbonisation objectives. Furthermore, separate tradability of the environmental attributes of biogas/ biomethane will also be hindered. More broadly, if the proposed revision gets extended to Scope 2 emissions, green GO-based products will be negatively impacted across gas and power, because GOs are an indispensable part of a PPA contract, as they are evidence of the renewable attribute of the electricity that has been produced under the contract.

- **Hamper private investments needed to boost biomethane production and reach the EU objective of 35 bcm of domestic biomethane production.** There is a thriving market for biomethane which is providing significant value to producers and leading to additional production. Income from consumer sales via GO or mass balanced Proof of Sustainability are integral to the financial case for building and operating production facilities. This market is driven by the interest of companies across many sectors (manufacturing, chemicals, transport) who are seeking to lower their Scope 1 emissions and in many cases they are now looking for opportunities to invest in new biomethane production facilities. However, they will only do so if they receive biomethane via the natural gas pipeline network and prove consumption using market-based instruments, such as GOs or Proof of Sustainability certificates. Biomethane potential is geographically spread and on-site production plants or dedicated biomethane pipelines cannot be deployed without generating prohibitive environmental impacts and costs. The barriers being put up by the GHGP will discourage consumers' investment.

Conclusions

While being a private initiative, the **new "Land Sector and Carbon Removals Guidance"** under the GHGP would seriously hurt the European Union's efforts to unlock the biomethane potential and ensure greater security of supply through 35 bcm of domestic biomethane production in 2030. Considering this tremendous risk, **we call on the European Commission to be vocal and ask for market-based reporting to be recognised for Scope 1 emissions in the new "Land Sector and Carbon Removals Guidance". For its GHG accounting and reporting standards to remain relevant, the GHGP must allow the use of market-based instruments which reflect the commercial reality of how grid-based energy products are transacted.**

We trust the European Commission will therefore consider this issue seriously and respond as appropriate.

Yours sincerely,

CEDEC is the European Federation of local energy companies, representing the interests of 2000 local and regional energy and broadband companies across Europe, serving 100 million electricity, gas and district heating customers and broadband connections. Active in every part of the value chain - generation, distribution grids and supply - these companies provide services which are reliable, sustainable and close to the consumer, making a significant contribution to local and regional economic development.

Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies across Europe, which provide 1.2 million jobs and account for approximately about 15% of world chemicals production.

Cerame-Unie is the voice of the European ceramic industry. The European ceramic industry covers a wide range of products including abrasives, bricks & roof tiles, clay pipes, wall & floor tiles, refractories, sanitaryware, table- & ornamental ware, technical ceramics, expanded clay and flowerpots. The industry generates over 200,000 direct jobs and a production value of €31 billion in the EU.

The **EBA** is the voice of renewable gas in Europe. Founded in February 2009, the association is committed to the deployment of sustainable biogas and biomethane production and use throughout the continent. The association counts today on a well-established network of over 200 organisations representing the whole biogas and biomethane value chain.

The **European Federation of Energy Traders (EFET)** promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 130 energy trading companies, active in over 27 European countries.

The **European Renewable Gas Registry (ERGaR)** is a Brussels-based association that aims at enabling cross-border transfers of certificates for renewable gases. Today we represent 34 members from 13 European countries and from a wide range of activities in the gas sector, such as renewable gas registries and associations, energy commodity traders and gas DSOs/TSOs. ERGaR operates the ERGaR CoO Scheme, which facilitates cross-border transfers of gas Guarantees of Origin as well as other types of renewable gas certificates. We also strive for ERGaR to become a Europe-wide recognised organisation for administering the mass balancing of biomethane distributed along the European gas network.

Eurelectric is the federation of European electric industry. We speak for more than 3500 European utilities covering the entire industry from electricity generation and markets to distribution networks and customer issues.

Located in Brussels and founded in 1976, **EUROFER** represents the entirety of steel production in the European Union. Its members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federation of Turkey and the United Kingdom are associate members.

Eurogas is an association of 68 companies involved in the natural, renewable and low carbon gases value chains. Our members cover gas wholesale, retail, distribution and transport along with companies manufacturing equipment and providing innovative solutions for services, like blending and methane emissions management. The purpose of Eurogas is to accelerate the transition to carbon neutrality through dialogue and advocacy about optimising the use of gas and gaseous fuels.

Europex is a not-for-profit association of European energy exchanges with 31 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

Fertilizers Europe represents the majority of fertilizer producers in Europe and is recognized as the dedicated industry source of information on mineral fertilizers. The association communicates with a wide variety of institutions, legislators, stakeholders and members of the public who seek information on fertilizer technology and topics relating to today's agricultural, environmental and economic challenges.

GD4S represents the leading gas distributors in France, Greece, Italy, Ireland, the Netherlands, Portugal, Romania and Spain. Together, we represent 35.5 million customers in Europe and more than 30% of the European market. Gas distributors are responsible for operating the gas distribution network, ensuring its maintenance, and its development. We are responsible for safely distributing natural and renewable gas to consumers.

GEODE is a European association representing local energy companies operating electricity and gas distribution networks committed to a sustainable, efficient and reliable management of the grids as the backbone of the energy system. Thanks to the technical expertise of its members, GEODE's mission is to accomplish the energy transition towards decentralised, decarbonised and digitalised energy systems.

Gas Infrastructure Europe (GIE) is the association representing the interests of European gas infrastructure operators. GIE members are active in transmission, storage and regasification via LNG terminals of renewable and low-carbon gases, including natural gas and hydrogen. Gathering around 70 industry entities from 27 European countries, GIE perfectly embodies the multiple transitional decarbonisation pathways of the EU regions. The association's vision is that by 2050, the gas infrastructure will be the backbone of the new innovative energy system, allowing European citizens and industries to benefit from a secure, efficient and sustainable energy supply.