

IFIEC EUROPE's response to EU consultation on Updated rules on Monitoring and Reporting Regulation (2021-30)

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IFIEC Europe welcomes the opportunity provided by the European Commission to [give input](#) on the draft updated rules on monitoring and reporting (2021-30) of the EU ETS.

The main issues that are or still need to be addressed in the MRR update are:

- 1 [Impact assessment needs to be carried out](#)
- 2 [Carbon Capture and Usage needs to be incentivized](#)
- 3 [Correct sustainability criteria need to be set](#)
- 4 [Biogas needs harmonized treatment and accounted with GoOs](#)
- 5 [Other CCS transport modalities need to be recognized](#)

For more details on our position and concrete proposals of amendments see both text and annex with amendments below.

1 [Impact assessment needs to be carried out](#)

IFIEC stresses that the European Commission is to first carry out an Impact Assessment (IPA) on the economic, social and environmental impacts of any changes of the current regulation, that is basis of the EU ETS. Carbon leakage risks and relevant carbon leakage protection measures must be an inherent element of the IPA. Legislative updates should address regulatory barriers that hinder industry from reducing greenhouse gas emissions while remaining competitive and innovative in Europe.

2 [Carbon Capture and Usage needs to be incentivized](#)

Carbon Capture and Usage (CCU) is recognised as a new low carbon technology, that will contribute to climate neutrality by creating new business models for instance between steel and chemical sectors that will allow to valorise instead of releasing CO₂ in the atmosphere. The update of the MRR provides a perfect opportunity to recognise avoided CO₂ emissions and to support CCU by providing a consistent accounting framework. The MRR rules don't contain consistent accounting rules as avoided CO₂ emissions are reported as if they were emitted (this would be double counting).

Two types of CCU products exist:

- CCU products where the CO₂ remains chemically bound in the use phase (CCU-Materials) and
- CCU-products where the CO₂ will be emitted during use phase (CCU-fuels).

Adaption of the MRR for these two types can be done following two CCU cases already implemented in the MRR (precipitated calcium carbonate (e.g. example CCU material) and urea (e.g. example CCU fuels) and safeguarding following principles

1. The avoided CO₂ emissions should be recognised in the MRR for phase 4 (2021-2030) to adequately support CCU;
2. All CO₂ emission should be accounted for consistently and only once;
3. Storage of CO₂ originating from biomass should be recognised as a net sink of CO₂.

3 Correct sustainability criteria need to be set

1. The MRR is a regulation that should provide a consistent GHG accounting framework. The zero rating of biomass originates from IPCC guidelines to guarantee consistent international reporting and track fossil emissions. Therefore the zero rating of biomass can't be considered as a "financial support scheme" nor can the criteria of RED II article 29 be directly applicable in the MRR and not in non-ETS reporting. An adaptation of recital 4 of the MRR is needed.
2. An equal treatment of biomass needs to be assured in ETS and non-ETS (e.g. the same biomass can not be zero-rated in non-ETS, while non zero-rated in ETS). Therefore the same accounting rules need be applied in ETS and non-ETS.
3. We do agree that sustainability criteria need to be fulfilled however we prefer to set standards for sustainability for ETS and non-ETS. "Non-sustainable" biomass cannot be classified as fossil as this is against IPCC rules. Furthermore, in order to avoid distortion, an equal approach must be used for non-ETS and ETS.
4. It should be avoided that the "zero rating" of the same biomass product becomes depended of the installation (efficiency and replaced fuel) or "starting date" of the installation:
5. It is important to note that during the benchmarks update, these criteria where not taking into account during the data collection, which will result in unrepresentative BM updates.

4 Biogas needs harmonized treatment and accounted with GoOs

1. In Art39 there are 2 options to report emissions linked to biogas consumption: compliance and reporting on company level or on MS level. There needs to be a harmonised approach, removing any competitive disadvantages between member states. To guarantee a level playing field, the same approach is needed in all MS.
2. There is no logical reason why operator and the producer of the biogas have to be connected to the same grid. On the contrary as some MS have more potential to produce biogas, it should be possible for ETS installations to buy biogas without physically being connected to the same grid. GoO are an appropriate instrument and a framework needs to be developed to keep track of GoO and to avoid double counting.
3. It should be noted that GHG saving and energy efficiency criteria cannot be part of GoO.
4. We propose to delete article 39.5 as this is MS specific, and this not give an opportunity to an ETS installation to buy biogas.

5 Other CCS transport modalities need to be recognized

The current MRR only supports CCS for CO₂ that is transported by pipeline from emitter to the CCS location. In this case emission allowances don't have to be surrendered, resulting in a financial incentive.

When CO₂ is transferred to a barge in order to transport from emitter to the CCS location, it is seen as an emission by the current ETS legislation. Even though CO₂ is injected in the CCS well, emission allowances need to be surrendered under EU ETS, resulting in no financial incentive.

The ETS should support the deployment of CCS in Europe by recognising the transportation of liquid CO₂ by ship, trains, or trucks, etc, as eligible for ETS credits.

By expanding the ability of energy-intensive installations to export their CO₂ emissions using modalities other than pipelines, efficient deployment of the CCS value chain in the EU could be better

supported. This is particularly important since some planned CCS projects as noted above anticipate the transportation of CO₂ using ship. CO₂ transport along EU rivers and waterways towards the coast could therefore be made economically feasible.

The proposed MRR revision does not update this. ETS regulation needs to allow for other transport modalities like Railcar or Pipeline Transport.

About IFIEC Europe

IFIEC Europe represents 13 national European associations that comprise - on a cross-sectoral level - those industrial sectors for which energy is a significant component of production costs. IFIEC's membership represents a diverse set of industries including: aluminium, automobile, brewing, cement, chemical, copper, fertilizer, food, glass, industrial gases, metals, paper, pharmaceutical, plastics and steel.

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Annex: Proposed amendments:

Topic	Article	amendment
CCU- material	49	Replace 49.b) by “transferred out of the installation and used to produce chemical stable materials, in which the CO ₂ used is chemically bound and CO ₂ remains chemically bound during the use phase of the CO ₂ -derived chemical product ”
CCU-Fuel	New Article	<ul style="list-style-type: none"> - Add definition “Climate Neutral” source streams - Adaptation definition “fossil carbon”: means inorganic and organic carbon that is not biomass or climate neutral - Add Article XX – Climate Neutral source streams <ul style="list-style-type: none"> - similar to article 39 biomass source stream - The emission factor of climate neutral source streams shall be zero. - Articles to determine: <ul style="list-style-type: none"> - activity data of climate neutral source streams - Climate neutral, fossil, biomass fractions
CCS – biogenic CO₂	49	Adaptation article 49.1 “The operator shall subtract from the emissions of the installation any amount of CO ₂ originating from fossil carbon in activities covered by Annex I to Directive 2003/87/EC that is not emitted from the installation”
GHG saving criteria	19.6	Article 19 6. For the purpose of this Article, ‘fossil CO ₂ ’ or ‘fossil emissions’ means CO ₂ stemming from fossil fuels and process materials as well as from biomass which does not comply with Article 38(2) and ‘CO ₂ stemming from biomass’ means CO ₂ from biomass which complies with Article 38(2).’;
GHG saving criteria	38.2	Article 38. 2 The emission factor of biomass shall be zero, provided that the biomass complies with paragraphs 2 to 7 and 10 of Article 29 of Directive (EU) 2018/2001. For this purpose, the biomass shall be assessed in accordance with Articles 30 and 31(1) of that Directive.
Biogas and Guarantees of Origin	39.4	<p>Article 39.4 Where the Member State allows for the application of this paragraph, the operator may determine the biomass fraction using purchase records of biogas of equivalent energy content, provided that the operator provides evidence to the satisfaction of the competent authority that:</p> <ul style="list-style-type: none"> ▪ (a) the biogas complies with the first subparagraph of Article 38(2); ▪ (b) 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 in the meaning of Article 2(12) of Directive (EU) 2018/2001;

- ~~▪ (c) the operator and the producer of the biogas are connected to the same gas grid;~~
- ~~▪ (d) the market value of that biogas consumption was taken into account appropriately in the relevant support scheme, if support has been granted for the biogas production.~~
- For the purpose of demonstrating compliance with this paragraph, the operator may use the data recorded in a database set up by one or more Member States which enables tracing of ~~transfers~~ origin of biogas

Biogas	and	39.5	Remove article 39.5
Guarantees of Origin			