

# Policy Briefing Note #1

## Issue:

Fractured and dissimilar policy landscape in EU member states prevents fair cross border trading of biomethane

## Background:

In the European Union's Horizon 2020 research and innovation program project RecordBiomap (grant agreement No 691911) 15 EU countries have been reviewed with respect to biomethane related regulatory frameworks and financial incentive systems. The overall conclusion is that the policy landscape for biogas/biomethane production is extremely fractured. Both the regulatory and economic frameworks are a patchwork of generations of policy incentives and special regional solutions in response to local circumstances. The result is a situation where biogas developers in different countries have extremely varying preconditions for biomethane production. A summary of this review can be found in deliverable No. D2.1 + D2.2 of the RecordBiomap project.

[https://biomethane-map.eu/fileadmin/downloads/deliverables/Final\\_D2.1-2.2.pdf](https://biomethane-map.eu/fileadmin/downloads/deliverables/Final_D2.1-2.2.pdf)

There is a commendable drive within several EU countries to implement biomethane registries and to somehow merge these into one common registry. The purpose of the biomethane registry is to open up for a cross border market for biomethane. The initiative is based on three basic principles: 1. Independent third party verification of sustainability of biomethane production prior to grid injection; 2. The whole natural gas network in Europe viewed to be a single logistical facility with regard to injected biomethane, and; 3. Keeping track of the mass balance of injected and withdrawn biomethane. This would in theory enable biomethane production in regions where it makes most economic sense (most cost effective production) and sale/use of biomethane in regions with the highest demand (highest willingness to pay).

## Discussion:

A fair cross border market would require all participating countries to agree on a joint policy framework, both in terms of the regulatory side and in terms of financial incentives. This would among other things mean that participating countries would have to agree on a common acceptance level for the use of energy crops for biomethane production, the level of direct production support, the manner in which biomethane production and utilization is incented and in general what is- and what is not sustainable biomethane production.

An ongoing example of the unintended negative effect of differing policy frameworks in the context of cross border biomethane trading can currently be found in Sweden/Denmark. Sweden has had a vibrant biomethane production for more than 15 years. Many of the production facilities have been around for a long time paying down debt and continuously improving production efficiency resulting in comparatively low real production costs. The Swedish incentive system is based on biomethane being given a significant tax advantage compared to fossil fuels rather than a direct production support. Lately, Denmark has begun to produce significant amounts of biomethane, in part due to the introduction of a direct production support scheme. A significant portion of the Danish biomethane is sold across the border to customers in Sweden. Since the Danish biomethane utilizes both the production support in Denmark and the tax advantage in Sweden the domestic Swedish biomethane plants that are connected to the natural gas grid in south western Sweden cannot

compete even though their real production costs are comparatively low. Both countries are working together to solve the issue but in the mean time many Swedish production facilities are in severe danger of being shut down. Because of the differing policy frameworks, a system, i.e. mass balance based cross border biomethane trading, that was intended to incent biomethane production is in fact causing a reduction of highly efficient production capacity.

Therefore, due to the fractured policy landscape it may be difficult to introduce a fair cross border trading scheme for biomethane based on national biomethane registries. However, if we can get to a point where policies are more homogenous a cross border trading system may be the single most important development to ensure the growth and success of a biomethane industry.

### Options:

1. No action. Consequence: No coordination work is required. Fair cross border trading of biomethane is made very difficult.
2. Initiate harmonization of regulatory and financial frameworks for biomethane production and use within the EU. Consequence: Significant multilateral coordination effort is required. Fair cross border trading of biomethane is made possible.

### Recommendation:

Option 2.