

EBA Position Paper - Reform of the EU's Emissions Trading System beyond 2020

The Emissions Trading System (ETS) is of great importance to the European biogas sector as it is the largest international system for trading greenhouse gas (GHG) emission allowances and has the potential to be the European Union's main instrument to mitigate climate change.

The European Biogas Association (EBA) welcomes the European Commission's efforts to reform ETS, in particular its latest proposal for the post-2020 period, as published in the Summer Energy Package from July 2015. For the revision of phase 4 of ETS implementation, EBA expects a significant increase in funding for renewable energies and an adequate rise of the carbon price, which in turn would reduce industrial GHG emissions and lead the way to a truly carbon neutral future. So far ETS has not fulfilled these expectations. In order to solve the main shortcomings of ETS, EBA recommends concrete measures to improve the July 2015 ETS proposal so as to secure a better level playing field for renewable energy sources

A level playing field for renewable energy sources

Carbon price

EBA supports a significant reduction in the number of sectors receiving free allowances beyond 2020. EBA urges the European Commission to include in the carbon leakage list only those industrial sectors which are at a high risk of relocating, following the scientific criteria in the latest impact assessment of the Commission. In addition, EBA recommends that unallocated allowances should be non-transferable between phases, this to avoid a large surplus that would otherwise happen if all extra allowances were transferred from phase 3 into phase 4.

EBA recognises the efforts to address the market imbalance in the allocation of allowances with the Market Stability Reserve and the 'back-loading' of allowances. However, with the current carbon price of around 8 euros per tonne, the desired result to create a self-reliant sustainable energy market is falling short of its goal. EBA seeks a market-driven solution to tackle the unaccounted externalities brought by fossil energy production. EBA therefore welcomes the 2.2% annual reduction of free allowances and calls on the co-legislators not to reduce this measure's ambition. A significant and progressive reduction in the surplus of allowances would eventually increase the carbon price to levels adequate to their environmental impacts, what in turn would make biogas (as well as other green technologies) competitive. This would not only boost renewable energy production, but it would also increase the capital of ETS funds and reduce the impact of higher electricity prices on consumers.

Accounting for the GHG reduction of the biogas sector

Anaerobic digestion produces carbon neutral renewable energy, which is already helping Europe's ETS sector to reduce its carbon footprint. Nonetheless, there are two other key GHG reducing specificities of this technology that should also be taken into account under ETS:

- avoided GHG emissions from organic effluents in contact with the atmosphere such as manure storage in farming (these have a high release of methane emissions);
- production of low carbon organic fertilisers which replace vast amounts of carbon intensive mineral fertilisers (between 1-2% of the world's energy use goes to synthesize nitrogen for mineral fertilisers).

EBA calls for better accounting of the carbon mitigating properties of anaerobic digestion because biogas from certain organic waste materials is well below carbon neutral, becoming instead carbon negative. This means that after combustion the process still withdraws more carbon from the atmosphere than what it releases. The real GHG reduction values should be calculated and attributed for each energy unit from anaerobic digestion following a strict mass balancing and monitoring system. Existing JRC values for biogas from different organic materials may be used. This would offer Europe's industry a cost-efficient way of significantly reducing GHG emissions.

Funds

EBA supports the creation of the Innovation and Modernisation Funds which will certainly help Member States to make the energy transition. Under ETS, the NER 300 is one of the world's largest funding programmes for innovative low-carbon energy demonstration projects. EBA encourages the creation of new funds that are focused on renewable energy such as biogas. EBA values the support that the biogas sector has received, but it strongly urges that future ETS funds should distribute available money more evenly among promising renewable energy technologies in the future. At the moment only part of 1 project in NER 300 (out of a total of 19) deals with biogas, what EBA sees as insufficient. More importantly, instead of spending the largest share of the NER 300 budget on Carbon Capture and Storage (CCS), a technology that is supported by established players including the fossil fuel industry, a move towards new players using innovative renewable technologies is necessary. This shift in how funds are spent would boost innovation in renewables.

Concerning the modernisation fund which focuses mainly on Eastern Europe, EBA recommends this money to be used in a cost-efficient way taking into account existing infrastructure. This is particularly the case for district heating networks which are prevalent in most Eastern European capitals, and where biogas plants can be integrated to produce affordable and carbon neutral renewable heat.

Non-ETS sector

EBA would like to emphasise on the importance of the non-ETS sectors, in particular the transport and agricultural sectors. On its own, the transport sector produced 24.3% of the total GHG emissions in the EU in 2012, making it the second biggest polluter after the energy industries sector (29.2%). Road transport by itself contributes to about one-fifth of the EU's total emissions of GHG. Agriculture is responsible for 10.35% of GHG emissions in the EU. Therefore, it is not only fundamental for ETS to operate efficiently but there also needs to be a good development of the non-ETS sectors to truly achieve a sustainable level of GHG emissions in the EU. Currently, the non-ETS sector falls under the EU Effort Sharing Decision (ESD), which gives legal effect to the non-ETS part of the greenhouse gas target for 2020. EBA welcomes the 2014 European Council conclusions and the work towards Effort-Sharing in the first half of 2016, with the aim to reduce non-ETS emissions by 30% for 2030. EBA urges policy-makers not to lose track of these commitments and to take into account the significant GHG reductions that anaerobic digestion brings to several non-ETS sectors, in particular agriculture and transport.

Conclusion

EBA greatly values the importance of having a well-functioning ETS. This can lead to a greater use of renewable energies and creating a more sustainable world by making a self-reliant market for renewable energies. EBA recommends taking into account the biogas sector within ETS not only for its strong GHG reduction performance, but also due to its excellent environmental track record to treat organic waste and produce organic fertilisers. In 2013 the number of jobs in the biogas sector reached almost 70,000 and it has the potential to grow much more, particularly in rural areas where the job creation rate is often low. Only with a robust ETS can Europe make the transition towards a prosperous and carbon-free future.

Thus, EBA's key messages on the reform of EU's Emissions Trading System are:

- The European Commission to give free allowances only to sectors which are at a high risk of carbon leakage.
- Not to allow the transfer of non-allocated extra allowances from phase 3 to phase 4.
- To keep the 2.2% annual decrease of allowances as is in the Commission's proposal.
- To take into account carbon negative GHG savings from biogas production
- To have an Innovation fund focusing only on renewable energy (no CCS), and where its budget is more evenly distributed among promising technologies.
- To integrate the modernisation fund to existing infrastructure in a cost-efficient way, for example by taking into account district heating networks.
- A strong focus on developing measures for the non ETS sector

Founded in February 2009, EBA is the leading European association in the field of biogas and biomethane production covering the anaerobic digestion and gasification industries. Committed to the active promotion of the deployment of sustainable biogas and biomethane production and use throughout Europe, EBA has created a perfect network of established national organisations, scientific institutes and companies. In 2015, the association counted around 75 members from all over Europe and had established co-operation with biogas associations from outside Europe.