Energy Traders Europe's "Memoria" on the Draft Decree for the transposition of Directive (EU) 2023/2413

Schema di decreto legislativo recante attuazione della direttiva (UE) 2023/2413, che modifica la direttiva (UE) 2018/2001, il regolamento (UE) 2018/1999 e la direttiva n. 98/70/CE per quanto riguarda la promozione dell'energia da fonti rinnovabili e che abroga la direttiva (UE) 2015/652 (atto 324)

Commissioni VIII (Ambiente) e X (Attività produttive) della Camera dei Deputati
Commissione VIII del Senato della Repubblica

On behalf of *Energy Traders Europe*, acknowledging the relevance of the Draft Decree for the transposition of Directive EU/2024/2413 ("RED III") and its potential impact on the Italian market, we would like to present some considerations on this act.

Please find below **four core issues** that we have identified, followed by more detailed comments.

1. Certification

In our view, the implementation of RED III represents an important opportunity to align Italy's certification system to the EU framework. In particular:

- In line with our position paper "*Establishing Conditions for Developing the Italian Biomethane Market*"[1], we continue to stress that **the Proof of Sustainability (PoS), issued in compliance with RED requirements, should be sufficient for the certification of biomethane under RED III and ETS compliance markets**. Using Guarantees of Origin (GOs) as mandatory compliance tools reinforces the segmentation of the European market for biomethane, therefore hindering, rather than favouring, its growth. In this respect, it is important to define how GOs – where available – will operate alongside the corresponding PoS to ensure that both certificates follow the molecules throughout the same commercial pathway (PoS do not expire).
- We believe it is crucial to ensure consistency across all relevant Italian legislation[2] concerning the certification required for ETS compliance.

[1] *Energy Traders Europe*, Position Paper: "Establishing Conditions for Developing the Italian Biomethane Market", 29 July 2024. Available at: https://www.energytraderseurope.org/documents/position-paper-on-establishing-conditions-for-developing-the-italian-biomethane-market/

[2] Including DM 224 of 14 July 2023 ("Decreto GO").

- Finally, we draw the attention on the need to address certain provisions in the Sustainability Decree of August 2024 (Art. 9.9; Art. 16.4) that require sustainability documentation for imports of biomethane to be accompanied by a "*sworn declaration issued in a court or in the presence of a notary public and certified by the Italian Embassy, the Italian Consulate, or another authority recognized under bilateral agreements*". Such administrative burdens are excessive and reduce the availability of imported biomethane for Italian consumers, while reducing liquidity on the European market.

2. GHG targets & market route for unsubsidised biomethane

We note that energy content-based RES fuels targets in the transport sector (29% by 2030, alongside sub-targets for advanced biofuels/biomethane and RFNBOs) are introduced instead of GHG-reduction targets – which goes against the approach already introduced in France, Spain, or the Netherlands. As a general principle, as also expressed in our position paper "*Developing an internal market in renewable and low carbon gases*"[3], **we would recommend a shift to GHG emission reduction targets**, as this would prioritise climate action by i) accelerating the production and uptake of the most climate friendly energy carriers; ii) enabling suppliers and consumers to value fuels based on their outright GHG emissions reduction potential, consistently with the core objective of EU policy and international climate agreements; and iii) strengthening price signals for carbon-neutral or even carbon-negative fuels.

With the above being said, **we appreciate the premium granted to unsubsidised biomethane achieving more than 120% GHG reduction**, which constitutes a market-based route for merchant biomethane. In this context, an **increase in the penalty level** would play a crucial role in enabling and supporting the functioning of this market route.

3. New role of the GSE

Regarding biomethane production plants supported through incentive mechanisms involving the purchase of the gas by the GSE, the draft decree establishes that the GOs shall be issued and transferred free of charge to the GSE. These GOs are considered as being at the GSE's disposal and are allocated through competitive procedures, concurrently with the sale of the biomethane[4].

Unlike the current provisions under the 2022 Ministerial Decree, according to which the GSE relies on selected natural gas trading companies to sell the **methane** withdrawn from the market, in this case

[3] *Energy Traders Europe*, Position Paper: "Developing an internal market in renewable and low carbon gases", 1 October 2024. Available at: https://www.energytraderseurope.org/documents/developing-an-internal-market-in-renewable-and-low-carbon-gases/

[4] Art. 24 (Modifiche all'articolo 46 del decreto legislativo 8 novembre 2021, n. 199)

the **biomethane would be directly auctioned by the GSE together with the associated GOs.**

Within this framework, **it is essential to specify the mechanism and features of the auction procedure, ensuring transparency on the implications for the current incentive and safeguarding fair competition among shippers**.

The strategic role played by traders currently active in the biomethane value chain needs to be fully acknowledged and valued.

4. Long-term demand visibility

We underline importance of target visibility. Notable, where possible, we advise following the French example, where targets have been outlined until 2035 (see IRICC scheme).

Contact

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