International Association of Oil & Gas Producers

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IOGP Response to the inception impact assessment concerning the revision of the 2018 Renewable Energy Directive (REDII)

The International Association of Oil & Gas Producers' (IOGP) member companies account for approximately 90% of oil and gas produced in Europe. IOGP supports the goals of the Paris Agreement and the EU's objective of climate neutrality by 2050, and will work with the Commission to help create the essential measures to enable this energy transition. Many challenges must be overcome to meet the Green Deal's ambition, and the energy transition requires significant investments, new technologies, effective policies and behavioural changes.

On 8 July 2020, the Commission presented the Communications *'EU Strategy for Energy System Integration'* (ESI Strategy) and *'A hydrogen strategy for a climate neutral Europe'* (Hydrogen Strategy). The ESI and Hydrogen Strategies propose several actions that could require the modification of REDII which are addressed in the Commission's inception impact assessment concerning the Renewables Directive review. IOGP welcomes the opportunity to provide feedback at this early stage in the legislative process.

We have noted the Commission's intention to promote the further development and use of renewable and other low-carbon fuels including gaseous fuels and hydrogen. In this context, **we welcome the Commission's plans to establish a comprehensive terminology for all renewable and low-carbon fuels and a European system of certification of such fuels, based notably on full life-cycle greenhouse gas emission savings and sustainability criteria**.

IOGP recommends that the impact assessment concerning revision of REDII considers amending the Directive in order to:

- **Ensure that renewable and low-carbon gases can fully contribute to the achievement of the EU climate ambition**: While the Hydrogen Strategy aims to prioritise the development of renewable hydrogen, it acknowledges that in the short- and medium-term other forms of low-carbon hydrogen are needed. Expanding the scope of REDII to include low-carbon hydrogen could provide a business case for the development of new low-carbon hydrogen facilities as well as retrofitting existing hydrogen facilities with CCUS. This would allow for more rapid scale-up of hydrogen demand and the development of hydrogen infrastructure, which would then support the uptake of renewable and low-carbon hydrogen.

- **Establish a comprehensive terminology in a single legislative instrument that covers both renewable and low-carbon fuels** applying a consistent EU wide methodology on a GHG life-cycle basis: The life-cycle GHG emissions of electricity-based hydrogen depends to a large extent on how the electricity that drives the electrolysers is produced. For hydrogen produced through steam reforming, the life-cycle GHG emissions depends to a large extent on carbon capture rate in the low-carbon hydrogen facility. By amending REDII, renewable and low-carbon hydrogen could be accommodated under a single Directive.

- **Establish a robust certification system for renewable and low-carbon hydrogen by amending the provisions on Guarantees of Origin under REDII**: A credible and robust certification system at EU level is essential to ensure that the GHG savings of the different production pathways of hydrogen are captured and rewarded. REDII already has a system for Guarantees of Origin for renewable gases that could be amended to include low-carbon gases.

- **Include life-cycle GHG performance for all low carbon and renewable fuels into the Guarantees of Origin information**: In order to determine the GHG impact of hydrogen, a life-cycle GHG emission assessment is required. Default GHG emission values should be defined for each standard production process with specific inputs for parameters which significantly affect GHG performance and the possibility to add new or improved processes based on independent verification. Information on life-cycle GHG emissions should be provided for all renewable and low-carbon gases using consistent criteria, and should be included in the Guarantees of Origin to provide reliable information to customers on the sustainability of renewable and low-carbon gases.

- **Ensure a technology neutral approach in setting targets and providing support mechanisms**: We note that the Commission will consider establishing targets such as minimum shares or quotas for hydrogen in specific end-use sectors. Although this could help create a market by driving demand for hydrogen, we believe that the approach should be carefully assessed as it may lead to diversion of renewable electricity to hydrogen production simply to meet the target, without delivering additional GHG savings. **We strongly recommend that all policy options (including targets) are assessed in order to ensure their consistency with other policy measures, and all forms of renewable and low-carbon hydrogen are considered eligible**.

- **Enable all hydrogen production technologies which can deliver significant GHG emission reductions to compete on a level playing field**: According to the Hydrogen Strategy, hydrogen production from natural gas with CCS and a capture rate of 90% has well-to-gate GHG emissions of 1 $kgCO_2eq/kgH_2$, whereas well-to-gate GHG emissions for electricity-based hydrogen for the (2018) EU electricity mix are 14 $kgCO_2eq/kgH_2$. This demonstrates the importance of a life-cycle approach and that natural gas based hydrogen can deliver significant GHG emission reductions provided it can compete on a level playing field. We notice in the Hydrogen Strategy that the Commission will consider setting a low-carbon threshold for the promotion of hydrogen production installations. If this is introduced, it should be set in a technology neutral manner that is open to all hydrogen production technologies and based only on life-cycle GHG emissions.

- **Provide regulatory predictability by avoiding that the possible changes to the Directive are disruptive to the long-term investment perspective provided under RED II**: To ensure that the upcoming revision of REDII has positive impacts on economic growth and investments, investors need to have confidence in the stability of the regulatory framework. Possible changes to the Directive should not, therefore, undermine the long-term investment perspective. For these reasons:
  - Annex IX can be reviewed to add, but without removing feedstocks.
  - First movers should be able to benefit from appropriate "grandfathering" or "no retroactive" clauses. This would ensure that the production of the fuel, which meets the requirements, can continue and will be considered compliant regardless of any subsequent changes to the mandate.

The upstream oil and gas industry stands ready to provide further input to the upcoming consultations and play its role in delivering low-carbon solutions aimed at tackling climate change.

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