

## Energy Traders Europe comments to the DG COMP investigation into state aid for biomethane

Energy Traders Europe appreciates the opportunity to submit our comments to the in-depth investigation regarding the Swedish biomethane schemes, based on the EU General Court annulment decision, as launched, and consulted, by DG COMP. According to the ruling of the EU General Court, the EU Commission is identified as the executive body in charge of ensuring that no uncontrolled interplay exists among the various subsidy schemes implemented by different Member States. We hence consider the investigation relevant for the trading of renewable and low-carbon gases across EU borders. This is because it touches on the broader role of national subsidies and their potentially distortive effect on competition in the case of cross-border transactions involving physical delivery of renewable and low-carbon gases in Member States other than the producing one.

### **Incentivisation of renewable and low-carbon gases in the wholesale markets should not distort price signals and be open to cross-border participation.**

According to the Energy Traders Europe Core Principles for Energy Markets<sup>1</sup>, national aid schemes aimed at maximising the penetration of renewable and low-carbon gases in the energy mix should be limited in duration and preferably allocated to producers through competitive mechanisms, so as not to unduly interfere with the efficient functioning of integrated wholesale markets in biomethane and renewable and low-carbon hydrogen, and price formation.

Market participants favour flexible subsidy regimes, enabling the switch between options for the granting of a given subsidy. From a traders' perspective, we stress that non-standardised accounting approaches involving multiple sale/ subsidisations of the same energy unit risk leading to double claims. This may potentially preclude the eligibility of biomethane and renewable/ low-carbon hydrogen traded in the regulated market.

DG COMP should constantly follow market developments and control ex ante the data on support schemes furnished by Member States and/ or market participants. It should also provide clear guidance to the Member States about additional elements/ data regarding cross-border aspects, potentially needed in the regular monitoring / overcompensation reports submitted to DG COMP, as these reports currently do not cover these aspects.

As per the EU General Court ruling, both domestic and cross-border interplays and distortions related to different schemes must be excluded and DG COMP ought to oversee

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<sup>1</sup> <https://efet.org/home/documents?id=643>

this through the monitoring methodology at Member State level. Therefore, both the exporting and importing Member States must be guided to update their regular reports and include cross-border trades in renewable and low-carbon gases with certificates to avoid distortions to the integrated market through the uncontrolled interplay of trades in subsidised biomethane. Effective control will result in a level-playing field between producers receiving no subsidy and cross-border trade in subsidised biomethane.

Therefore, DG COMP should oversee and ensure the establishment of EU-wide reporting rules and responsibilities for Member States, with the feedback of market participants, in such a manner so that reported cross-border trades and the design of subsidy schemes do not hinder competition in the integrated EU market in renewable and low-carbon gases.

**The facilitation of cross-border trade through the Union database should expand the role of DG COMP in terms of monitoring over-compensations.**

Energy Traders Europe supports the principles of transparency and harmonisation in the accounting towards Member States' renewable energy targets of biomethane traded across EU borders. Diversion from these principles on a national scale bears the risk of double subsidisation/ over-compensation and distortive effects on cross-border trade of what is expected to be predominantly subsidised biomethane in the infancy stage of an internal market in renewable and low-carbon gases.

Before the Union database for tracing renewable liquid and gaseous fuels becomes fully operational, Member States may rely for their reporting on a mass balance traceability methodology and proof of sustainability certificates marked as "consumed" for this purpose. Once the Union database is fully-fledged, we expect that cross-border trade will be further facilitated and liquidity will be enhanced in a pan-European renewable and low-carbon gas market. Therefore, Member States shall be able to derive data from the Union database as the only source on consumption/ offtake of biomethane and renewable and low-carbon hydrogen for target accounting, while they shall always deduct exported gases from accounting towards their domestic targets under articles 3(1), 15a (1), 22(1), 23(1), 24(4), 25(1) Directive 2023/2413 (RED III). This should support and expand the role of DG COMP in terms of monitoring over-compensations.

We remain at your disposal should you wish to discuss the matter further.

## Contact

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