

IOGP response to the public consultation on the Renewable Energy Directive (RED) proposal

The International Association of Oil & Gas Producers' (IOGP) supports the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050. We recognise that there are many challenges on the road to meet this objective as the energy transition will require significant investments, new technologies, effective policies and behavioural changes.

IOGP welcomed the Commission's intention, as outlined in the EU Strategy for Energy System Integration¹, 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. In this context, we note that the scope the revised RED, following the Commission's proposal, will remain limited to renewable fuels only, excluding other low-carbon fuels such as "blue" hydrogen.

IOGP would make the following recommendations, to ensure that the EU energy and climate policy framework will enable all renewable and low-carbon fuels to play their role:

- 1) Introducing a certification system and incentives for low-carbon (including "blue") hydrogen as part of the forthcoming Hydrogen and Decarbonised Gas Market package:** IOGP proposes that the targets under the revised RED should be opened to both certified renewable and low-carbon fuels, or that a complementary system for incentives is put in place under the Hydrogen and Decarbonised Gas Market package with a view to allow for fair competition between "green" and "blue" hydrogen. We regret that a common certification system for both renewable and low-carbon fuels was not proposed to be established under the revised RED, as a common system in a single legislative instrument would reduce the risks of inconsistencies, gaps and overlapping regulation. In order to deliver on its commitments set out in the EU Strategy for Energy System Integration, the Commission should now ensure that an equivalent EU certification system for low-carbon fuels is delivered through the Hydrogen and Decarbonised Gas Market package. This certification system should be carefully designed to be well compatible with the RED-based system for renewable fuels, so to ensure that a level playing field between all certified renewable and low-carbon fuels is established in the EU.
- 2) Taking a technology neutral approach to renewable and low-carbon hydrogen in order to achieve decarbonisation ambitions, including in the industrial and transport sectors:** In order to realise the EU's vision for hydrogen, a step-by-step approach will be needed. The first stepping stone would be to increase hydrogen demand by enabling the development of all types of renewable and low-carbon hydrogen and ensuring adequate hydrogen supply. The RED's proposal for sub-targets for RFNBOs to constitute 50% of all hydrogen used in industry and 2.6% of transport fuels creates potential challenges for the cost-effective development of hydrogen, and also for EU industry. IOGP is concerned about the feasibility of achieving these targets within the proposed time frame, in particular as the reliance on a narrow set of hydrogen production technologies risks a higher-cost pathway and could lead to slower hydrogen deployment. For example, the *Hydrogen for Europe* study² finds that it is essential that the EU policy

¹ European Commission (2020) [EU Strategy for Energy System Integration \(COM/2020/299\)](#).

² Deloitte, IFPEN & SINTEF (2021): [Hydrogen for Europe – Charting pathways to enable net-zero](#).

framework enables all hydrogen production technologies which can contribute to significant emission savings, including in the context of the decarbonisation of the industrial and transport sectors. In its most cost-efficient scenario, saving the EU over 2 trillion Euros in capital investments by 2050, Hydrogen for Europe finds that low-carbon “blue” hydrogen would make up ca. 85% of 33 Mt hydrogen produced in 2030. IOGP therefore recommends that all types of renewable and low-carbon hydrogen are enabled to meet the EU’s decarbonisation ambitions, including in the industrial and transport sectors. It is necessary for the Hydrogen and Decarbonised Gas Market package to complement the RED proposal, either by putting in place measures which would allow for low-carbon hydrogen to meet the targets set out in the RED, or by establishing a complementary and well-aligned system of incentives specifically for low-carbon hydrogen. Coherence between the RED and the forthcoming Hydrogen and Gas Market Decarbonisation package must be ensured. One opportunity could be to consistently recognise emission savings from CO₂ capture and storage or use across the two policy instruments by building on existing provisions in the current RED (Annex V). IOGP furthermore recommends that any targets for hydrogen should be applicable on the EU rather than on the Member State level, and additionally that the trading of credits for renewable energy between fuel suppliers should allow trade across Member States. Measures should be put in place to protect against carbon leakage created by the proposed renewables targets for industry. The scope of the proposed hydrogen target for industry is furthermore unclear, as hydrogen is currently used in a very wide range of products and applications (not always as the end product) and it is not clarified in the Commission’s proposal which products and applications would be covered.

- 3) **The renewables target in the heating and cooling sector should remain indicative:** The Commission’s proposal for an annual mandatory increase of 1.1% on the national level, compared to the current 1.3% indicative target, may be economically and technically difficult to achieve and might also present a risk of destabilising the energy system in certain Member States. This risk is particularly present in the Member States where natural gas has higher potential as a GHG emission reduction solution in heating and cooling, and where the structure of district heating networks limit the possibilities for introducing renewable energy.
- 4) **The review of the RED presents a chance to further improve this policy instrument, enabling the EU to benefit from gases’ full contribution to the energy transition:** IOGP is concerned that the Commission’s proposal for a revised RED does not adequately support the deployment of renewable energy sources, as gaseous fuels (whether renewable or low-carbon) are not well included and proper definitions are still missing. The Commission has indicated that the deployment of renewable energy is one of the core elements needed to achieve climate neutrality in Europe, and in this context we believe that the review of the RED presents a chance to further improve this policy instrument in order to enable the EU to benefit from the contributions renewable and low-carbon gases can make to a successful and affordable energy transition.