

Consultation and draft guidance on proposed further validation of NDRHI/RTFO interaction when submitting biomethane claims to Ofgem – REA response

The REA has over 550 members across the power, heat, transport and organics sectors. The REA's Renewable Transport Fuel Forum has around 50 members with interests in fuel production, project development, supply chain and related areas. The REA's Green Gas Forum has over 200 member companies including several involved in the development and operation of biomethane plants, green gas injection and across the whole green gas supply chain.

Question one: What are your views on our proposal to require annual, independently assured, audit information as further validation of NDRHI/RTFO interaction by biomethane producers? Please give your reasons and indicate whether you claim, or intend to claim, on both the NDRHI and the RTFO schemes, and/or whether you supply anyone with biomethane that claims on the RTFO.

Question two: What are your views on submitting annual, independently assured, audit information on NDRHI/RTFO interaction as a section of the existing Annual Sustainability Audit? Do you think this should be provided as a standalone report instead? Please provide reasons for your answer/s.

The REA is a trade association. Many of our members currently receive support through the RHI and RTFO schemes, although we ourselves will not be claiming support or supplying biomethane to third parties.

We agree that it is appropriate for Ofgem to seek additional, independent verification of claims around NDRHI/RTFO interactions rather than relying solely on self-declarations. We also agree that it is logical to build this around existing processes. Where a biomethane producer expects the gas they inject into the grid to be divided between RHI and RTFO there is clearly a significant overlap between the systems to keep track of sustainability and overall mass balance and it makes sense to have a report covering these interactions submitted at the same time as the annual sustainability audit.

We do not have a strong view either way on whether this additional reporting should form part of an additional section of the existing reports or as a standalone report. To an extent, this depends on the outcomes to the points made below in relation to the limits of what biomethane producers could be expected to know after the gas they produce has been injected to the grid.

Question three: Are you aware of any reason why an auditor could not assess the proposed additional requirements, and do you think both the current sustainability reporting requirement and the proposed RTFO interaction section could be provided by the same auditor? Please provide reasons for your answer/s.

That depends on exactly what is required of the auditor. It seems reasonable that, where claims are split between RHI and RTFO, the author of the sustainability audit report would be capable of verifying the allocation of consignments between the two schemes at the production site level.

If, however, the auditor is also required to analyse contracts for gas trading over the full supply chain after the gas has entered the grid then this would require a different skill set – particularly if the passages of concern highlighted below correctly reflect Ofgem's intentions as drafted.

We would also note the statement on page 2 of this consultation that,

'the RTFO regulations already specify that the same biomethane must not be claimed against both the RTFO and other renewable energy support schemes, such as the NDRHI, therefore we expect that producers will already have processes in place to provide assurances against double claims'.

As set out at greater length below, while it is reasonable to expect that those claiming RTFCs from GB-produced biomethane will have these systems in place already, it does **not** follow this would be true for an RHI-registered biomethane producer with no interest in transport.

Question four: What documentation and/or evidence would you be able to provide to an independent auditor to demonstrate that dual claiming for the same biomethane is not taking place?

We have worked closely with colleagues at the Green Gas Certification Scheme (GGCS) run by Renewable Energy Assurance Limited. GGCS is submitting their own response with many detailed points on this subject. We agree with their points but have not reproduced them here.

RHI producers not intending their gas to be used to claim RTFCs

We are concerned about the wording of the draft guidance in paras 2.11-2.18. It appears to suggest that a biomethane producer could routinely be expected to possess information on what happens to the biomethane they produce after they have injected it into the grid.

We agree that, if a successful RTFO claim is to be made using this gas, sustainability information will have to be provided to the RTFO administrator – and this must ultimately tie back to the biomethane production plant. We also understand that, from 1 January 2022, those looking to claim RTFCs from GB-produced biomethane will be required to provide an RHI number if one exists. So, if a successful RTFO claim is to be made, then the biomethane producer must, as a minimum, be aware of that possibility because they will be required to pass on information that only they hold.

Our concern lies from the situation where there is no intention by the biomethane producer to facilitate an RTFC claim. There is a risk that the process being proposed will require that producer to prove a negative – in other words, that nobody would attempt to claim RTFCs after the gas was injected – and an assumption that a producer would, as a matter of course, be expected to hold the documents that would enable them to prove that negative.

When injecting gas into the grid, a biomethane producer is required to sell the gas to a licensed shipper. The GB gas market is extremely liquid, and the title to that gas could change hands many times before it passes to its final consumer. And in this context, the party supplying the gas as a transport fuel (and therefore eligible to claim RTFCs) is likely to be the final link in that chain before that consumer. We note that DfT has recently published [guidance](#) specifically focussing on biomethane.

Although a wide range of contractual models is possible, the most common is that the producer sells the title to the gas shipper and has no further involvement with subsequent contractual arrangements for that gas. The same shipper may also buy some or all of the guarantees of origin that relate to it (such as those issued by the Green Gas Certification Scheme) or those guarantees of origin could be sold separately.

If a subsequent owner of the gas were to supply it as a transport fuel and seek to claim RTFCs on it without the original producer's knowledge there would be nothing that producer could do about it, nor could they be expected to provide documentation to demonstrate this had **not** happened.

In this context, the following statements from the draft guidance are troubling:

'Ofgem expects that biomethane which has been claimed for against the NDRHI would be sold with appropriate documentation provided to the buyer which confirms this. The documentation would provide detailed information on provenance, feedstocks and proportions claimed against NDRHI, and be retained through the chain of custody of the biomethane, from production to end use. This is in line with the information required by the DfT for participation on the RTFO' (para 2.13)

'...we are not currently able to comprehensively list all the specific types of documentary evidence that are or will be acceptable. However, evidence of a clear contractual chain linking the biomethane producer with all the relevant parties, be they the shipper, trader or supplier, will be required in any case.' (para 2.16)

'The contractual chain should provide details of the specific biomethane transactions made and should include clear evidence of quantities of gas having been traded from the point of production' (para 2.18)

Taken together, these strongly suggest that a biomethane producer that does not intend any of their gas to be used to claim RTFCs would nonetheless be required to prove that no third party had attempted to do so after the gas had left their control. We note also the statement in paragraph 2.17 that 'the auditor must check that specific evidence exists to demonstrate this.'

We do not believe that this scenario matches either BEIS or DfT's policy intent. It may not be Ofgem's intention either, but the guidance as drafted could certainly be read that way. We strongly suggest this be rewritten.

On our understanding, the majority of RHI biomethane producers will not be supporting claims for the gas they inject to claim RTFCs so it is essential that there is a light touch approach for verifying this in such cases. Please also see further suggestions in response to question five.

RHI producers intending that a portion of the gas they inject will be used to claim RTFCs

There is no detail in this consultation of how interaction between claims that split the biomethane injected between RHI and RTFCs will be checked.

The RHI and RTFO operate over different time frames and use different units. From an RHI point of view, the relevant gas is not simply that which is injected but the energy content of that gas, once deductions have been made for the energy contained in the propane used and any external heat.

The policies also have subtle differences in their sustainability criteria, including minimum GHG savings required and the operation of mass balance systems. Both policies differentiate between wastes/residues and other feedstocks, but the effects are different. It would be perfectly possible for errors to occur and it would certainly be reasonable for Ofgem to expect the third party reporting to assess the information provided by the producer. Doing this via a third-party report

would also enable this conversation to be carried out between the operator and an expert and should result in better outcomes for both the operator and Ofgem.

Given the differences between the schemes, there needs to be a clear understanding of acceptable margins of error in the interaction between them. There may be occasions where differences of interpretation are possible and biomethane producers should not be obliged always to be subject to conservative assumptions meaning that they are systematically disadvantaged. As a minimum, Ofgem should ensure that the approach is objective and clearly set out.

The rules on how consignments of gas can be allocated between policies are also unclear. If the gas injected by an RHI biomethane producer derives 70% of its energy from waste and 30% from crop, does it have flexibility on which consignments waive the right to receive RHI and so could claim RTFCs? This is an important point, given that the RTFO awards double certificates to renewable transport fuels made from wastes and residues. It would almost certainly be within the biomethane producer's financial interests to classify all the gas claiming RTFCs as deriving from waste.¹

We have raised the issue previously, most recently at the stakeholder workshop for this consultation (15 July) and are still unclear on the position. Given the significance of the financial implications, Ofgem should ensure that there is no ambiguity on this point – both for producers and their auditors.

Further points on specific audit requirements

In order for the new requirements to work smoothly, auditors must be given clear, specific and objective criteria to assess against. The initial introduction of sustainability reporting in the RHI and other support schemes took a 'principles-based' approach instead, and it took several years before a common understanding emerged between Ofgem and those providing reports.

If the expectation is that a report writer will check Gemini data and on-site fiscal flow and propane meters then this should be stated clearly, possibly via a template for audit reports. In paragraph 2.12 it is stated the information provided to the report should show 'annual volume figures for NDRHI and RTFO claims'. If we assume that 'RTFO claims' should read 'RTFC claims' this is still unclear as neither RHI periodic support payments nor RTFCs are claimed on a volume basis. It is very unlikely that the biomethane producer would also be the party claiming RTFCs so it does not follow that the producer will have access to this information. They could have sold the 'Proof of Sustainability' information at the same time they injected the gas to the grid and have no further involvement with it.

We note the reference to voluntary green gas accreditation schemes, such as the Green Gas Certification Scheme (GGCS) run by Renewable Energy Assurance Limited². GGCS is working closely with stakeholders in this country, the EU and further afield to ensure those trading

¹ And we would note that this would likely still be true, even if the consequence was that the remaining gas claiming RHI derived more than 50% of its energy from crops. We would note that the reconciliation payments required under regulation 74 of the RHI regulations do not form part of the sustainability criteria. So a biomethane producer could choose to derive more than 50% of its energy from crops, accept that it would be liable for a reconciliation payment but know that it would not be in breach of the RHI ongoing obligations for doing so.

² REAL is a wholly-owned subsidiary of REA.

certificates can have confidence in claims being made. Certificates awarded by GGCS state whether subsidies were received for the production of that gas, which can facilitate verification of claims that are split between RHI and RTFO. Further details are set out in GGCS' response to this consultation.

Question five: Can you suggest any different approaches that could be taken to evidence NDRHI/RTFO interaction by biomethane producers? Please provide reasons for your answer/s.

Ofgem should co-ordinate directly with DfT's RTFO unit on verification. Since any RTFC claim must be tied to information about the origin of the relevant fuel, it should be straightforward to check this against RHI producer sites – particularly since from 1 January 2022, RTFCs for UK-produced biomethane must provide an RHI number where one exists.

This is the most appropriate place to verify information as, rather than relying on details of contractual arrangements between the producer and the transport fuel supplier, it enables the point of concern to be addressed directly - is any gas claiming support under both schemes? We raised this point at the stakeholder workshop on 15 July and were effectively told this was not an option given the differences between the schemes. We do not see this as an acceptable answer given that biomethane producers and the auditors will have to acquire an understanding of how the two schemes work – as will Ofgem when reviewing the audit reports it receives.

As a minimum, we would suggest that, where a producer has stated that they do not intend any of the gas they inject to claim RTFCs, a check with the RTFO unit should enable this to be verified without extensive document provision and auditing requirements to prove it. We note that the IT system for managing the obligation - RTFO Operating System (ROS) – is being overhauled. Ofgem and DfT should take the opportunity to ensure this facilitates checking claims between the schemes, for instance by enabling Ofgem personnel to access relevant information directly from the revised RTFO system.

Question six: Do you have any additional comments you would like to add?

No.