

## **EFET<sup>1</sup> response to the ENGIE Impact questionnaire on the CPB trading platform for biomethane**

- **What are the elements of the trading platform that you appreciate the most?**

We are in principle supportive of the shift from the so-called “*dedicated vehicle*” towards a secondary/ primary market approach. Our interpretation of the primary market is that it deals directly with producers, whereas the secondary market focuses on the creation of a trading platform with pre-defined market makers. This represents a much improved basic approach, which also is much more aligned with our feedback to ENGIE Impact from 29 November<sup>2</sup>. However, we still identify room for improvement, particularly in terms of liquidity on the secondary market.

We expect that the secondary market will gradually expand, with all required transactions executed through the same contractual channel.

- **What do you think needs to be improved regarding the trading platform?**

The market makers on the secondary market (i.e., TotalEnergies and Engie) will themselves bear the obligation to provide minimum biomethane volumes to the platform. We understand that the undertaken obligation is quite low (50 percent times the incorporation obligation factor, which is well below 1.) This comes with the risk of limiting the overall biomethane volumes which will be eligible for the platform and, consequently, of hindering the creation of liquidity and normal market conditions.

Beyond the level of liquidity of volumes on the secondary market, we are also concerned over transparency on the primary market, i.e., over the fact that most agreements will likely be struck between producers and mid-streamers/ wholesalers forming part of the same groups. However, we expect the secondary market to grow progressively.

Furthermore, traders and mid-streamers should be clearly allowed to participate on the purchasing side on the secondary market, at least as soon as the liquidity markers allow so. A mechanism originally established with the aim of supporting liquidity should not ban the participation, on the buying side, of actors who will help boost this liquidity, as this is not justified from a market design perspective. It is also contrary to the unhindered participation of all actors on the selling side. Should it be of concern that either traders or the market

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 130 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org)

<sup>2</sup> <https://efet.org/files/documents/22021129%20EFET%20TF%20FR%20GAS%20PP%20CPB.pdf>

makers themselves may hold all CPB certificates, this is an aspect to be addressed by Competition Law, instead of by foreclosing access to an asset market.

In addition, we understand that the reserve price is equal to the maximum between the cost plus and 18.5% of the ETS. It seems more appropriate to formulate the reserve price only based on the cost plus (which includes all costs and margin) relying on the market to value by itself the ETS premium, if any.

Finally, we consider discriminatory the restriction of access to the obligated suppliers and the priority access given to smaller suppliers of gas end-users without access to primary market. In particular, the rationale behind this prioritisation takes into account neither the supplier's lack of expertise in biomethane production in France (being as such a barrier to access to primary market - whatever its size - that will prevail at least during the first years of the obligation), nor its actual share of the obligation<sup>3</sup>. If maintained, this restriction must be temporary as it intends to facilitate these suppliers to comply with their obligation to yield certain CPBs to the State to avoid being penalised.

- **Are you interested in the role of liquidity provider?**

In general, we consider for the stakes of liquidity explained above, that the role of Liquidity Provider shall be open to all players, beyond just obligated suppliers.

- **Do you have additional issues to point out?**

As a general comment, more clarity would be welcome regarding the links between CPBs, guarantees of origin, proof of sustainability (PoS) certificates and the EU ETS.

We seek to understand whether the platform will facilitate trading of the CPB certificates, which are related to the underlying gas, as well as of the proof of sustainability (PoS) certificates. We understand that, in case a CPB certificate is to be sold to a facility covered by the EU ETS, suppliers/ traders will have to purchase the PoS certificate outside the platform.

Although the first DGEC decree clearly states that CPBs will be recognised under the EU ETS, we believe that a second implementing decree should further elaborate on the obligation of ETS installations to buy CPBs, in alignment with the Guidance 03 of the EU ETS Monitoring and Reporting Regulation.

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<sup>3</sup> The market share is calculated on the gas volumes sold by a given supplier to end-consumers over the overall French consumption whereas the share of the obligation is calculated on the gas volumes sold by a given supplier to end-consumers entering in the scope of the obligation (considering the volumes excluding certain categories of consumers as defined under the Article R446-42) over the overall obligation.

Compliance with the obligation to purchase CPB certificates should not annul the possibility to rely on voluntary certification schemes to certify the sustainability characteristics of biomethane.