

10 July 2023

## **EFET response to Adriatic LNG regassification code update**

### **#1 We support the introduction of the virtual liquefaction service**

We support the introduction of a virtual liquefaction service, but it should not prejudice the rights of firm capacity holders. Furthermore, we also welcome the inclusion in the definition of redelivery point “PSV” in addition to “Cavarzere” entry point in order to enable the development and facilitate the usage of virtual liquefaction service.

### **#2 Virtual liquefaction service fee should be based on the underlying cost of the service**

We believe that the fee for the provision of the virtual liquefaction service should not be linked to gas market prices. The virtual liquefaction service fee should instead reflect the underlying costs of the service in line with the practices adopted by other Italian terminals (OLT Offshore). This would allow users to know the fee ex ante as well as support the coverage of the Terminal’s costs.

### **#3 We support the extension of the virtual liquefaction service to biomethane**

We endorse the intention of Adriatic LNG to open the proposed virtual liquefaction service to the possibility of virtual liquefaction of biomethane via disclosure of relevant proof of sustainability certificates and guarantees of origin:

*“[...] an additional service for the conversion of guarantees of origin and/or sustainability certificates of biomethane into bio-LNG, and vice versa, in accordance with the reference certification schemes. As part of this service, Adriatic LNG would therefore make available the conversion of guarantees of origin and/or sustainability certificates relating to the quantities of bio-LNG unloaded in the terminal storage or of biomethane delivered to the PSV, into guarantees of origin and/or biomethane sustainability certificates and vice versa, in line with the reference certification schemes.”*

Liquefaction provides additional flexibility at a moment when storage is of key importance for security of supply. Saving costs and improving the environmental impact by considering liquefaction of biomethane will increase this flexibility.

Member States receiving bio-LNG generated by virtual liquefaction generally require that terminals have been certified under ISCC, or any other certification framework related to

voluntary schemes. Given that the transport sector presently constitutes the primary end use sector for biomethane in Europe, bio-LNG supply chains are already a reality.

Liquefaction based on mass-balance grey LNG with biomethane reduces both costs and emissions – i.e., offsetting of a nomination from the regasification site and from the grid with cancellation of certificates and control measures for the biomethane virtually nominated into the terminal.

Specifically with reference to the development of small scale LNG integrated logistics supply chains in Italy, considering the operational design of the Union database for tracing liquid and gaseous transport fuels based on the pertinent Implementing Act under Directive (EU) 2018/2011, as well as the provisionally agreed RED III, we point to the EU Commission feedback provided in the course of ad hoc focus groups on the gaseous fuels value chain:

*“In the case of individual mass-balance sites not connected to the grid, the transfer between two sites shall be treated as trade transactions with associated PoS being available to EO (Buyer & Seller) for each trade transaction. In the case of local grids where the injection has occurred and subsequently being withdrawn for further trading, such trades shall be considered “withdrawal” from the local grid & registered as transaction to the next buyer.”*