METHANOL INSTITUTE

THE VOICE OF THE GLOBAL METHANOL INDUSTRY

Response to Consultation on

Regeling van de Staatssecretaris van Infrastructuur en Waterstaat van PM, nr. IENW/BSK-2021/PM, tot wijziging van de Regeling energie vervoer in verband met de implementatie van Richtlijn (EU) 2018/2001 van het Europees Parlement en de Raad van 11 december 2018 ter bevordering van het gebruik van energie uit hernieuwbare bronnen en ter uitvoering van het Klimaatakkoord

Methanol Institute Position

- **MI welcomes the fact that the proposed legislation enables the generation of HBE's from bio-methanol and e-methanol produced with Guarantees of Origin (GoO) for bio-methane or renewable electricity;**
- **MI recommends using existing sustainability schemes (e.g. ISCC, REDCert) to provide objective verification that claimed bio-fuel/RNFBO production quantities are matched with the required amount of feedstock;**
- **MI recommends the legislation to recognize the broader role bio- and e-methanol play in the energy transition. Not only as a blend component in gasoline, but also as a diesel substitute and a hydrogen carrier fuel for use not only on the road but in shipping as well;**
- **MI strongly urges the Netherlands to comply with EU free trade laws, and avoid restricting the market to methanol produced in the Netherlands only.**

The Methanol Institute (MI) is a global trade association representing the world's largest methanol producers, distributors, technology providers and increasingly methanol consumers as well. Examples of the last category include international shipping companies Maersk, MSC, Oldendorff, Danaos and Stena Bulk.

Among our member are several bio-methanol and e-methanol producers, with facilities around the world including the Netherlands.

MI is participating in several research project consortia in the Netherlands, including a.o. Green Maritime Methanol lead by TNO and Methanol for Shipping led by InvestNL.

It is encouraging to note that the draft regulation creates the opportunity to generate HBE's from using bio- or e-methanol made with Guarantees of Origin (GoO) for bio-methane and/or renewable electricity respectively. At the same time the proposed changes also give cause for concern to our members, which we have highlighted below including some recommendation how these concerns could be resolved.

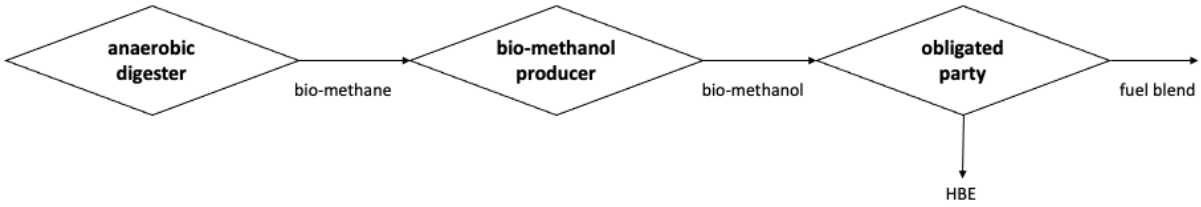
- **Compliance Verification (article 6 & 8)**
  Over the years, several MI members have supplied bio-methanol made from bio-methane or e-methanol made from renewable electricity to various EU member states. To provide the required proof of sustainability, existing EU approved sustainability schemes were used as form of verification (e.g. ISCC, REDCert).

  The proposed Dutch legislation introduces a more complicated methodology which is not associated with any of the EU approved sustainability schemes.

  According to article 6.a.1 and Annex 2.A.2 an obligated party ('inboeker') is required to provide evidence that for the amount of methanol used, the required amount of bio-methane was taken from the Dutch gas grid:

  Annex 2.A.2 - De inboeker van een vloeibare biobrandstof toont met behulp van facturen van zijn gasleverancier en productiecijfers van methanol aan dat hij uit aardgas van het gastransportnet in Nederland methanol of LNG ter grootte van de inboeking heeft vervaardigd.

  This rule is near impossible to enforce because (a) bio-methanol producers are not obligated parties, and can therefore not generate any HBE's, whereas (b} obligated parties ('inboeker') source bio-methanol from the bio-methanol producers themselves (final product) and will at no time in the process ever receive any invoice from the bio-methane producer (feedstock).



  A similar argument can be made for e-methanol, where according to Annex 2.B.2 an obligated party is required to provide proof that he/she has produced hydrogen from which e-methanol was made. It's the e-methanol producer which buys renewable electricity that is converted to hydrogen to make e-methanol, not the obligated party.

  To summarize, the chain of custody and the proof of compliance methodology of existing EU approved sustainability schemes are well suited to verify each conversion step in the entire value chain. We are curious to understand why the Netherlands intends to implement a policy which deviates from EU methodology applied in other member states? We also wonder whether the Dutch government has performed an impact assessment of the additional administrative burden for both bio-fuel producers and obligated parties (as well as the Dutch governing regulatory bodies)?

- **Methanol fuel use**
  Articles 6.a and article 8 only refer to the use of methanol in gasoline blends. Is the use of methanol in gasoline only intended as an example, or is it meant to be restrictive?

  Methanol is increasingly used as a diesel substitute in shipping (e.g. inland waterways, fishing), road (trucks and buses), rail and non-road mobility (e.g. farming, construction). Methanol is also an important, practical hydrogen carrier for fuel cells and hydrogen combustion engines.

  We assume that it is not the intention of the Dutch government to limit the contribution that sustainable methanol can deliver to the energy transition.

  MI recommends to include other examples for the use of bio- and e-methanol as an alternative fuel, and not restrict its use to gasoline blending only.

- **EU free trade**
  The energy transition is a huge challenge and great opportunity at the same time. One of the objectives of the European Commission is to create a more integrated energy system, across sectors and across countries. Several EU member states have come to realize that their huge renewable energy demand can only be met in international cooperation with EU and non-EU countries where renewable energy is available in abundance and at lower cost.

  Free trade among its members was one of the EU's founding principles, and it is committed to opening up world trade as well. (https://europa.eu/european-union/topics/trade_en)

  For methanol, the Port of Rotterdam is Europe's most import port in terms of import, storage and export. On their website the Port states that:

  "Rotterdam aims to be the leading port for sustainable energy. An important part of Rotterdam as Europe's Hydrogen Hub is the import of hydrogen.

  For this purpose, exploratory studies are underway with more than ten countries, including Iceland, Portugal, Morocco, Oman, South Africa, Uruguay, Chile, Brazil, Australia and Canada.

  Becoming the leading port for import hydrogen…."

  These international ambitions are a stark contrast to the restriction in the proposed legislation that only bio-methanol or e-methanol which was produced in the Netherland will be permitted. (article 6.A.1, article 8.2.c, Annex 2.A.2, Annex 2.B.2.)

  Several of MI's members produce bio-methanol and/or e-methanol around the world, from the USA to Sweden, from Iceland to Spain, from Belgium to Australia. If the Netherlands insists on only allowing the use of bio- or e-methanol produced in the Netherlands from Dutch bio-methane or renewable electricity it would restrict these companies of entering the Dutch market.

  It is difficult to see how this 'local-for-local' requirement can be anything but an infringement of EU free trade. Which is why MI is considering a formal legal opinion on the matter, although we remain hopeful that the matter can be resolved without the need for legal action.

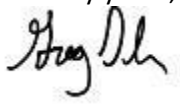
Closing remarks

Although there are several details in the proposed legislation that would require further clarification, these three issues are our main recommendations:

- *Adherence to existing EU sustainability schemes to provide evidence of compliance*
- *Broadening the scope for methanol use to also include other energy solutions like diesel substitution and hydrogen intermediate*
- *Opening up the Dutch borders to also allow obligated parties to use imported bio-or e-methanol*

The Methanol Institute is always looking for open and constructive dialogue with policy makers and we would like to extend an invitation for further dialogue how our members can help the Netherlands meet increasing renewable energy objectives and drive down CO_2 emissions.

Sincerely yours,



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