

Chemical Industry Views on the Low-carbon Fuels Delegated Act

Advancing emissions reductions in high-temperature heat applications and for industrial feedstock relies critically on the scale-up of the EU's hydrogen economy. Low-carbon hydrogen has a central role to play in that economy: It can be produced in a baseload profile that matches industrial demand patterns and remains cost-competitive over renewable hydrogen¹. A combination of renewable and low-carbon hydrogen can moreover drive the EU's hydrogen economy to scale faster than a technology specific approach would.

For the time being, a lack of regulatory clarity still inhibits the further scale-up of low-carbon hydrogen production and consumption in the EU. In addition, preferential regulatory incentives in favour of renewable hydrogen distort the competitive playing field with low-carbon hydrogen that complies— by definition – with the same GHG emissions reductions threshold. The regulatory regime should be developed in such a way that it facilitates complementarity between different types of hydrogen, rather than competition.

In response to the Gas Directive Art. 9 delegated act regarding the production criteria of low-carbon fuels (including low-carbon hydrogen and derived fuels), the chemical industry puts forward the following considerations.

Cefic Recommendations:

- **Provide regulatory certainty to first-movers through robust, project specific emissions accounting for both fossil inputs and electricity.**
 - **Fossil Inputs**
 - We appreciate that the draft delegated **prioritises the use of supplier specific, certified upstream methane emissions values** (where available). This incentivises fossil inputs suppliers to reduce greenhouse gas emissions and enables an accurate assessment of the carbon footprint of low carbon fuels.
 - The reference accounting framework of the Methane Regulation is subject to change which reduces regulatory visibility for investors and threatens to undercut first-movers. Hence, we recommend:
 - Those projects reaching final investment decision (FID) before 5 August 2027 should be grandfathered to be able to continue using the respective reporting framework of Art. 12, Art. 27 (1), Art. 28 (1), (2) and (5) of the Methane Regulation, or comparable scheme (such as the OGMP's

¹ [IEA: Global Hydrogen Review 2024](#) (p. 81 Levelised Cost of Hydrogen Production)

framework or best available sector practices and technologies), until 1 January 2038.

- Define the conditions to reliably account for supplier-specific methane intensity data for low-carbon fuels imported into the Union to ensure a level playing field between domestic production and imports.
- Clarify the requirements for demonstrating the use of supplier specific greenhouse gas data for natural when sourcing natural gas from a grid. This could include natural gas purchase agreements, guarantees of origin (or an equivalent in third countries), and applicable chain of custody.
- A comparable project specific reporting regime should be allowed also for up-stream CO₂ and N₂O emissions, as well as for mid-stream GHG emissions, in order to reward better performance than that foreseen in Annex B (whilst retaining the existing default values as a fallback).
- Align the default up-stream emissions values for natural gas of Annex B (10.45 gCO₂eq/MJ) with those included in the Delegated Act for the emissions accounting of renewable fuels of non-biological origin (9.7 gCO₂eq/MJ) to establish a level playing field and improve regulatory clarity.
- **Electricity**
 - The accounting of non-RFNBO compliant electricity emissions the methodology relies on calculations based on grid average emissions.
 - **Open the methodology to supplier-specific emission values for electricity, certified via (low-carbon) PPAs and guarantees of origin (GOs),** as well as the emission values associated with low-carbon **electricity provided via a direct line** to the unit producing low-carbon fuels.
 - This should also be applied to electricity procurement that does not enhance the heating value of the fuel.
 - The accounting of low-carbon PPAs/ GOs needs to avoid double-counting following a credible rule-set for both domestic production and imports.
 - Should time-constraints impede the accounting of project-specific emissions values for electricity in the delegated act at this point, **we**

recommend to advance the assessment for introducing alternative pathways for sourcing low carbon electricity to 5 May 2025.

- **Carbon captured from industrial sources should be fully eligible to be utilized in low-carbon fuel**, provided the above emissions threshold is respected. To ensure consistency, the proposed flexibility should also be enabled in the Delegated Act 2023/1185.
- In the interest of putting imports of low-carbon fuels on equal footing with domestic production, **clarify additionally what constitutes ‘appropriate MRV requirements’ for carbon captured and stored outside of the Union.**
- **Clarify the rules surrounding the use of carbon capture equipment that is shared amongst multiple users on a production site.**
- **Recognise the GHG abatement of low-carbon fuel produced from residual industrial gases and used to replace the specific gas from which it is produced.**
 - Under the current rules, residual gases are considered as rigid inputs and as such penalised in their GHG accounting. Where low-carbon fuel (specifically low-carbon hydrogen) produced from residual gases serves the purpose of replacing unabated fossil fuels used in an industrial process, we recommend that this replacement is adequately recognized.
- **Align the assumed efficiency rate of combined heat-and-power plants (CHP) with those detailed in the relevant delegated regulation 2023/2104.**
- In the interest of alignment with the RFNBO delegated act, **the calculation of the average GHG intensity of the fuel should be permissible at more granular intervals than the monthly ones** foreseen in the current draft.
- **Pave the way for a swift approval of the certification of low-carbon fuels.**
 - **Ensure that low-carbon fuels imported to Europe are properly recognised within the EU’s certification system**, including in the Union Database.
 - The mass balance system to ensure the GHG savings of low-carbon fuels (in line with Directive (EU) 2018/2001) should build on (voluntary) standards. Such a system should provide transparency and traceability throughout the whole value chain.

Cefic stands ready to provide further input to shape effective and inclusive policies accelerating the deployment of all low-carbon fuels technologies.

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About Cefic
Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies across Europe, which provide 1.2 million jobs and account for 15% of world chemicals production.