

Re: Review of Large Energy Users connection policy

CSC Commodities, a division of Marex (Marex) welcome the opportunity to respond to the CRU's review of Large Energy Users (LEUs) connection policy. Marex have not attempted to respond to all questions at hand but have selected elements relating to the use of biomethane, including imported biomethane, as a spur to decarbonise gas consumption and promote the acceleration of indigenous production.

Marex Background

Marex is a diversified global financial services platform, providing essential infrastructure, liquidity and market access to clients in energy, commodities and financial markets. With its scale, solid capital base and global footprint, Marex uses these strengths to deliver excellent client service. With over 30 offices, including a location in Dublin, Marex provides global access to all major exchanges through technology-powered data and advisory services.

CSC Commodities was acquired by Marex in January 2019 to expand energy sector market making capabilities. Established in 2013, CSC Commodities has established a reputation and reach in the energy markets. CSC Commodities trades on its own account and provides liquidity and market leading pricing, in oil all the way through the barrel, and in environmental products across all emissions, renewables, biofuels and biogas asset classes, with direct access to the trading team, bilaterally or cleared on any of the major global exchanges.

In the first half of 2023, Marex saw revenue from our environmentals offering up 67% from the first half in 2022.

Comments on Specific Questions

Question 40. Comments are invited from interested parties on the use of biomethane towards decarbonisation of LEU demand. Do respondents have a view on the volume of indigenous biomethane that can be produced annually? Do respondents have a view on the scalability of using biomethane towards the decarbonisation of LEU demand?

Large Energy Users (LEUs) are crucial players for the meeting of both national and sectoral CAP23 targets. As electrification is not always possible for such large consumers, nor feasible given the electricity grid restraints, biomethane represents a solid avenue towards decarbonisation and one of the sole mechanisms which can be implemented immediately.

Biomethane provides a solution which can ensure that the continuation of investment and the development of sectors important to the Irish economy is not stalled by inaction surrounding the increasing pressure on grid capacity. Biomethane can both help towards reducing thermal energy-related carbon emissions in multiple sectors, and by offering clean on-site power generation for extra-large electricity users.

It is widely acknowledged by industry stakeholders that, despite targets of 1 TWh of indigenous biomethane production by 2025 and 5.7 TWh by 2030, the actual market will remain incredibly nascent for the forthcoming years. Therefore, the question of how to encourage investment to kickstart the market in the long-run; and how to enable widespread participation in the short-term is key. Less than 200 GWh of indigenous biomethane will be produced indigenously this year. Marex understand that flexibility around the mechanisms of trade and a market-based approach will catalyse growth and participation. It will be imperative to permit the import of

green gas from far more developed markets, such as the neighbouring UK – which already will boast 6 TWh of biomethane production by the end of 2024.

These imports will enable a broad decarbonisation and flexible solution for LEUs, allowing many more users to participate in this solution than the domestic production market will currently allow. Simultaneously, the fast-growth in the market allowed by importation will also provide credibility and operational clarity to the Irish market, priming for a faster, wider adoption of indigenous production in the medium-term.

There exist questions over the scalability of using biomethane for decarbonising LEUs – sometimes due to concerns over feedstock availability. Whilst this perceived ceiling is a long way off, and based on high-level targets, it is also important to consider that when looking at scalability, it is not only domestic production that provides access to biomethane. As Marex have proposed before, an important aspect of scaling demand, production, and levels required to decarbonise Irish LEUs, a primary method is utilising imports from the rest of Europe. European biomethane targets are sitting at 35 bcm by 2030. Therefore, the feasibility of scaling biomethane as a primary method of decarbonisation is very much achievable as long as the Irish market remains open to cooperation with the rest of the continent. Marex maintains the position that indigenous biomethane production alone will not provide a scalable solution in the short to medium term.

Question 43. Comments are invited from interested parties on the renewable gas certification scheme.

The renewable gas certification scheme will be greatly necessary as the Irish biomethane market develops and further movement is seen in the import of volumes from elsewhere in Europe. As new members of ERGaR, GNI must ensure the smooth uptake of more fluid interaction with other European renewable gas markets – with appropriate mechanisms in place for cross-border trading. This will ensure that the indigenous market for renewable gas demand can grow substantially more quickly.

Question 44. Are there other options for decarbonisation of gas demand that should be considered?

In order to accelerate the process of decarbonising gas consumption, it must be attractive as possible for large consumers. The relevant bodies (CRU/EPA/GNI) should consider broadening the scope of the criteria pertaining to the use of renewable gas as a zero emissions fuel by parties obligated under the EU ETS. Currently, the restrictions over the specifications of the biomethane which can negate the requirement to purchase an EUA mean the price point is off-putting for many large gas consumers within Ireland.

Currently, the requirement will be that the biomethane must not count towards other states' renewable targets. However, this is a preference that has already been overturned within the Irish renewable transport market after the contentious import of Danish biomethane was eventually permitted. Furthermore, other successful and more mature biomethane markets on the continent, such as Germany, are more flexible with criteria for the zero emissions EUA swap. The EU ETS and countries' individual national targets are two separate bodies of goals – it should not be considered double counting to utilise imported fuels that have not been used in any other ETS system.

The benefit here will be that cheaper volumes such as UK/EU subsidised biomethane could be (and rightly so) marked as a zero emissions gas and used for compliance ETS purposes. This would spur a considerably higher level of companies to utilise this method of

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decarbonisation as it provides the incentive of being green; removes the need for EUAs, and is more economically viable. Without considering this option, levels of adopting to decarbonise gas consumption will remain lower.

Should you have any questions or comments on any of the above, please do not hesitate to contact us.

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