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Newsletter IEA Bioenergy Task 37: 03/2024 Policy; M&A and partnership

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Policy

Spain: Biogas production increase up to 20 TWh by 2030

Spain recently announced plans to more than double its biogas production by 2030 to reach 20 TWh per year and nearly triple its green hydrogen target. This decision is part of a comprehensive update of the country's energy and climate goals. In 2021, Spain produced 8,079 GWh of biogas, of which only 250 GWh was biomethane. The revised climate strategy also sets higher targets for solar and wind energy capacity, as well as energy storage and other initiatives.

Spain had about 250 active biogas plants in 2021, with wastewater treatment plants making up the

bulk. Currently, there are six biomethane plants in operation and 30 more under construction. According to Enagás, more projects are under development. These biomethane plants are expected to begin operations before 2025. In contrast to the national biogas target, the Spanish gas association Sedigas estimated in its recent report a significantly higher potential of 163 TWh/year for biomethane supply. This would cover 43% of natural gas consumption in the country. The main sources of this potential are mainly agricultural-industrial production (36.5%) and livestock (35.2%), from which biomethane can be obtained.

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Will California Air Resources Board save funding for dairy digesters?

Tulare and Kings counties in the USA have plenty in common. In both counties milk is the top money maker driving the economy. Dairies in both counties have moved to install manure digesters (40 in Tulare and 16 in Kings County) to capture methane emissions in an effort to fight climate change. California law requires the reduction of methane emissions at California dairy and livestock operations to 40 percent below 2013 levels by 2030. Facing both the carrot and the stick, dairies must cut emissions by law but have been offered incentives to do so – at least for the moment. But the state program has some detractors who argue that dairies are adding cows driving up emissions with more manure. Others says renewable biogas from dairy digesters are extending the use of natural gas. The Tulare County annual emission report tells a different story. The dairy herd is down and so are emissions. The latest statistics that show that since 2013 the number of mature dairy cows in the county has declined from 543,431 to 483,742 as of 2021. In Kings County the number of dairy cows has dropped from 184,000 in 2014 to 170,000 in 2022. The GHG emission was 19 percent less than the 2013 baseline year emissions and 3 percent less than the previous inventory year (2020) emissions.

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New EU CO2 Standards for HDVs

On 21/11/23, the EP adopted the Parliament negotiating position on the CO2 Standards for new HDVs. MEPs also voted in favor of a definition of CO2 neutral fuels and of the development of a methodology for registering HDVs running exclusively on them, but not of a Carbon Correction Factor (CCF). According to the decisions, it will be difficult for biomethane driven heavy duty vehicles (HDV) to pass the standards. The new definitions state that “‘zero-emission heavy-duty vehicle’ means: “a heavy-duty motor vehicle with not more than 5 g/(t·km) or 5 g/(p·km) of CO2 emissions”. This definition will imply that likely vehicles operating on renewable fuels would not be covered under the definition of ZEVs, while ICE vehicles using liquid hydrogen would be as the tailpipe approach is maintained. The regulation also sets specific CO₂ emission targets of the Union fleet of new heavy-duty motor vehicles as follows: • 45% emissions reductions from 2030; • 65% emission reductions from 2035; • 90% emissions reduction from 2040. While the current version of the text is clearly not favorable to renewable fuels, the door is not totally closed. The legislative journey of the new CO2 regulation for HDVs is not yet over. Parliament will now begin talks with EU governments on the final shape of the legislation. The official Trilogue negotiations started on 18/01/24.

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Positive tariff discount for biomethane injection in the EU

The biomethane industry regrets lack of ambition for biomethane on Gas Regulation deal reached by mid-December, as the Council’s views prevailed over the provisions put forward by the European Parliament. The last trilogue on the Gas Regulation ended up with a missed opportunity to set higher ambition for biomethane, as lawmakers dropped out the EU biomethane target put forward by the

European Parliament. On the positive side, the agreed Gas Regulation includes a 100% tariff discount for the injection of biomethane into networks. This will improve the business case of biomethane producers. However, based on the new deal, national regulators should go further by exploring cost-sharing mechanisms for building the grid connection, which entails major financial cost for project developers.

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India: Mandatory blending of compressed biogas

The key objectives of the blending obligation (CBO) are to stimulate demand for CBG in city gas distribution sector and an import substitution for Liquefied Natural Gas (LNG). CBO will be voluntary till FY 2024-2025 and mandatory blending obligation would start from FY 2025-26. CBO shall be kept as 1%, 3% and 4% of total CNG/PNG consumption for FY 2025-26, 2026- 27 and 2027-28 respectively. From 2028-29 onwards CBO will be 5%.

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Over 200 organizations support the RNG tax credit

US Gas vehicle association and the Moving Us Forward Coalition released a letter submitted to the House Committee on Ways and Means and the Senate Committee on Finance. Endorsed by over 200 diverse organizations, the letter urges congressional support and swift passage of H.R. 2448, the Renewable Natural Gas Incentive Act. H.R. 2448 would establish a \$1 per gallon tax credit for renewable natural gas used in transportation. This incentive builds upon the success of the existing alternative fuel tax credit (AFTC), which presently offers a 50-cent credit for natural gas used in transportation and is set to expire in 2024. The letter draws attention to California Air Resources Board data, confirming the carbon-negative results achieved by RNG in the state's Low Carbon Fuel Standard program. With an annual average carbon intensity (CI) value of -98.98 gCO₂e/MJ for calendar year 2022, RNG emerges as a frontrunner in environmental sustainability within the transportation sector.

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Assessment of 21 National Energy and Climate Plans

End of December the European Commission published its EU-wide assessment of the 21 draft updated National Energy and Climate Plans (NECPs). The assessment showed that the share of renewable energy in final energy consumption could reach between 38,6% and 39,3% in 2030 at Union level, which is lower than the binding target of 42,5% and the indicative target of 45% set in RED III. In particular, the Commission notes that nearly all Member States mention biomethane, but only less than half of the Member States have quantified the national biomethane objectives for 2030. This adds up to only approximately 15 bcm. The annex provides an analysis of the Member States' ambition gap towards the EU renewables target. 15 countries are considered to be 'significantly below' the target of 42,5% share of renewable energy by 2030, while 4 countries are considered to be 'significantly above' that target.

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M&A/Partnerships

Partners Group to acquire biogas Platform in Germany

Partners Group, a leading global private markets firm seated in Switzerland, has agreed, on behalf of its clients, to acquire a leading biogas and biomethane energy platform in Germany ("the Platform"), from Energiedenker Group. The Platform operates a 60 MW portfolio of 35 biogas plants and 10 biomethane plants across northeast Germany. Biogas can be used as clean fuel to generate electricity that is sold into the grid under the German EEG (Renewable Energy Sources Act), similar to other renewable power generation technologies. The carbon dioxide in biogas can also be separated to create biomethane, a

separate substance that is sold as a full substitute to natural gas. The Platform has strong infrastructure characteristics and benefits from a large asset base with high barriers to entry, visible cash flows, and long-term contracts.

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ENGIE acquires Ixora

ENGIE has acquired Ixora Energy Ltd, a leading biomethane producer based in the UK since 2017, for £64.8 million. The move marks the addition of three new production units to ENGIE's portfolio, which are located in Devon and Somerset, collectively generating c. 160 GWh of biomethane annually. It also consolidates its pipeline of projects in this crucial market. As a leading producer of biomethane in France, with an installed production capacity of 670 GWh as of 30 June 2023, ENGIE continues its expansion in Europe and accelerates its development in the United Kingdom, a fast-growing market. With a target of 10 TWh per year of capacity by 2030 in Europe, this acquisition is a significant step after the release of an increased ambition earlier this year. The Group's sustained investment in biomethane complements its goal of achieving net zero carbon emissions by 2045 and meeting the decarbonization needs of its customers.

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Investment Fund Buys German Biogas Producer Weltec

DWS, on behalf of its third institutional Pan-European Infrastructure Fund (PEIF III), and MEAG, the asset manager of Munich Re and ERGO, today announced the joint acquisition of 100% of Weltec Holding GmbH ("Weltec"). The company, based in Vechta, Lower Saxony, is a leading producer of biogas and biomethane in Germany. Financial details of the transaction remain confidential.

Weltec owns and operates five biomethane and four biogas plants across Germany and, under DWS and MEAG's ownership, plans to invest in significantly increasing biomethane production volumes across its portfolio. These investments include upgrading the four biogas plants to produce biomethane, transitioning the plants' feedstock mix to sustainable, waste-based sources, in line with circular economy best practices, and installing onsite CO₂ liquefaction technology to further reduce Weltec's carbon footprint.

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Burnham RNG is acquired by Ares Management

Burnham RNG, a full-service developer and owner of organic waste management and anaerobic digestion biogas assets across the U.S., announced that a fund managed by Ares Management's Infrastructure Opportunities strategy ("Ares") has made a strategic investment to acquire the Company from Edge Natural Resources. The investment from Ares, a leading infrastructure investor with approximately \$15.1 billion in infrastructure equity and debt assets under management, will support Burnham in the further development and construction of its broader pipeline of RNG assets located throughout the U.S.

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Italian farmers lobby signs MOU with Italgas to promote biomethane

In Italy, the National Confederation Coldiretti, the main organization of agricultural entrepreneurs at national and European level, and Italgas, the main operator in Italy and Greece in gas distribution and third largest in Europe, signed a memorandum of understanding aimed at encouraging the development of biomethane production in Italy. The initiative is part of the changed European scenario which, following the outbreak of the war in Ukraine, has identified biomethane as the renewable source destined to replace a

quarter of the fossil gas supplies once imported from Russia. An objective in support of which the National Recovery and Resilience Plan (PNRR) has allocated 1.7 billion euros to achieve, by 2026, a national production of approximately 2 billion cubic meters per year, equal to four times that current volume.

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Leading American waste and recycling companies spent billions in 2023

WM, Republic Services, Waste Connections, GFL Environmental and Casella Waste Systems recently reported spending totals and shared their outlooks on the deal environment heading into 2024. The overall volume of acquisitions may have quieted in the waste industry this year, but the sector's main publicly traded companies still spent more than \$3 billion on deals through December. WM, the sector's largest company is sticking with a more selective approach on M&A, spending \$138M. Republic Services shows the highest investments with \$948M followed by Casella Waste Systems with \$848M. In the middle field are Waste Connections with \$573M, respectively GFL Environmental with \$490M.

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Cargill partners with the Dutch SFP Group

Cargill has taken its first step into large-scale biogas production by entering into a joint venture in relation to Sustainable Fuel Plant (SFP) Zeeland in The Netherlands, a subsidiary of SFP Group. SFP Zeeland produces sustainable biomethane, a reliable renewable fuel, which enables customers to reduce greenhouse gas emissions and meet their sustainability targets. Through this partnership with SFP Group, Cargill would provide additional decarbonization solutions for its customers and improve the value of its core food, feed, and biofuel assets - all while playing a key role in the decarbonization of the food and transport sector. The vision at Cargill is to reimagine how to grow and move food around the world more sustainably – nourishing people and protecting the planet. Biogas from waste and residues has the potential to power Cargill assets and decarbonize our own supply chains, as well as our customers. This means that there is huge potential to expand renewable energy across Cargill's global network and through our value chain.

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Future Biogas & AstraZeneca partnership represents UK biomethane “renaissance”

Future Biogas announced it had entered a 15-year partnership with AstraZeneca to establish the UK's first unsubsidized industrial-scale supply of biomethane gas. AstraZeneca came to the market in the summer of 2020, seeking green gas solutions to match their decarbonization targets. A request for information (RFI) and request for proposal (RFP) followed in late 2021 and early 2022 respectively, setting out ambitious targets and stating that anaerobic digestion (AD) was their preferred solution. Future Biogas proposed a novel unsubsidized approach to green gas production that guaranteed full additionality.

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Wärtsilä supports Denmark's green energy future

Technology group Wärtsilä has engineered, delivered, and installed the biogas upgrading solution to a new biogas 17 tons per day liquefaction plant in Hjørring, Denmark. The contract was awarded to Wärtsilä in 2022, and the official start-up took place in June 2023. The Hjørring plant transforms manure-based biogas into bioLNG with an annual production capacity of more than 6,200 tons. The Wärtsilä Mixed Refrigerant (MR) liquefaction unit alone has an exceptionally low power consumption of <0.75 kWh per kilogram of bioLNG liquified. This, in combination with Wärtsilä's Puregas CA technology for biogas upgrading & polishing, with a total methane loss of less than 0.1 percent, makes it extremely

energy efficient.

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