

## Biomethane: a compelling investment for Europe's sustainable future

The European biomethane market is poised for strong growth, with ambitious EU targets and rising demand for renewable gases in hard-to-abate sectors. Current production stands at roughly 5 bcm per year, while the REPowerEU plan, the European Commission's initiative to reduce reliance on Russian fossil fuels and accelerate the green transition, sets a goal of 35 bcm by 2030. This represents an increase of about 600%, leaving less than five years to achieve a sevenfold expansion and positioning biomethane to account for around 10% of the EU's total gas consumption by 2030.

To keep pace with this challenge, financing for biomethane projects is accelerating, supported by dedicated EU programs, national incentives, and growing investor appetite for green infrastructure. These investments are critical to bridging the gap between current output and the 2030 target. In this context, investors can contribute to European objectives, while committing funds in a sector distinguished by higher premiums.

### A catalyst for Europe's decarbonization agenda

Europe continues its journey toward a low-carbon future, and biomethane is emerging as a key driver of this transformation. As a renewable gas produced from organic waste, biomethane offers a practical solution for reducing greenhouse gas emissions across the energy, transport, and agricultural sectors. Unlike biogas, which has been established for years, biomethane stands out as a direct replacement for fossil natural gas, helping advance the EU's climate goals by providing a carbon-neutral alternative.

Biomethane production also strengthens the circular economy by turning agricultural residues, food waste, and other organic materials into valuable energy. This process not only addresses emissions but also supports rural economies and job creation. In times of geopolitical uncertainty, biomethane enhances Europe's energy security by providing a locally sourced, reliable alternative to imported fuels.

For infrastructure investors, this means participating in a sector that is not only future-proof but also integral to Europe's energy transition.



### Biomethane and EU Sustainability Regulations

Sustainability has shifted from being a preference to becoming a requirement for infrastructure investments. Under the EU's Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation, environmental performance and transparency are non-negotiable.

For biomethane, the Renewable Energy Directive III (RED III – 2023/2413) introduces binding sustainability criteria, including:

- stricter sustainability criteria for feedstocks (e.g. restriction on food, etc.),
- higher GHG emissions savings thresholds, and
- mandatory traceability and certification via EU-recognized voluntary schemes (e.g. ISCC, REDcert).

Producers must demonstrate compliance through verified documentation and emissions calculations, ensuring alignment with the "Do No Significant Harm" principle and eligibility for sustainable finance.

### Building Resilient Biomethane Investments

Biomethane projects face distinct and complex risks that require rigorous analysis and advanced risk management strategies.

- feedstock supply is a critical factor, as reliable access to organic materials is

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essential for operational stability. Sponsors can mitigate this risk by securing long-term supply agreements and diversifying feedstock sources.

- market risks, including price volatility for renewable gas and fluctuations in demand, can be addressed through Biomethane Purchase Agreements (BPAs), which are long-term contracts between producers and buyers that secure volumes and prices for biomethane, as well as participation in regulated support schemes.
- technological risks, such as plant reliability and performance, are reduced by selecting proven technologies and partnering with experienced operators.
- regulatory risk persists, however, the EU's strong policy support for renewable gases provides a stable framework. Forward-looking investors employ comprehensive due diligence, stress testing, and scenario analysis to ensure resilience.

**In a rapidly-evolving energy landscape, biomethane is a niche sector. It stands out for the diversification and resilience it brings to investment portfolios.**

**These assets are well-positioned to generate stable, long-term income while advancing sustainability objectives and energy independence through circular economy practices.**

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