

EU unsubsidized biomethane set for price upside amid supply crunch: STX

[Biomethane/RNG](#)

Quantum Commodity Intelligence - The European biomethane market could be facing a supply crunch and rising prices in some countries, as higher transport renewable targets kick in while capacity growth lags due to permitting problems and a lack of a policy support in several key areas, said STX.

EU countries are working on new targets to comply with the bloc's Renewable Energy Directive III, which are set to boost demand for biomethane, particularly for unsubsidised product, STX Managing Partner for Renewable Gas Diederik Francoys told Quantum.

"If RED III comes through in its current form across various countries, that will generate a huge amount of demand," said Francoys, speaking on the sidelines of European Biomethane Week in Brussels.

Prices for subsidised biomethane have already risen substantially over the last year, helped by buying from the maritime sector where bio-LNG can be used to meet fuel GHG reduction targets for FuelEU Maritime, as well as the EU ETS.

RED III is set to add to the demand for unsubsidised biomethane as it introduces new maritime-specific renewable energy and carbon reduction targets, and slow capacity growth and barriers to cross-border trade are likely to lead to pockets of higher prices, said Francoys.

"I think there's more upside to be had in the current pricing, but I think it's going to be more on the unsubsidized pricing rather than the subsidized pricing, where I think a lot of the momentum has already been had in the year."

"I think there's a realization with Germany coming in [to RED III], the [RED III] ERE scheme coming in 2026 in the Netherlands, the volumes that are going to be needed in Spain, potentially the UK moving to a more GHG based system versus the current energy content system."

Assets

The EU has also set a target to grow biomethane output to 35 billion cbm by 2030, up from less than 5 billion cbm in 2023, but long and complicated permitting processes for new plants have been a consistent source of complaint from industry participants.

"We're hearing from a lot of development platforms that it's really tough on the administrative and permitting sides to actually build something. And that, going from idea to permit can easily take [up to] three years," said Francoys.

"[Then] what's the actual construction time for these plants? Depends on the scale and if it's greenfield or brownfield."

"And that's my worry a little bit with all this demand coming in...how are we going to build the projects that are required because that's not a switch you can just flip."

One step that could be taken to improve growth would be to improve fungibility for biomethane across EU countries and prevent member states from establishing barriers to cross border trade, said Francoys, particularly to support bio-LNG uptake.

"The key thing is virtual liquefaction. The EC has to equate virtual liquefaction with physical liquefaction to make sure capital can be efficiently allocated to the market," said Francoys.

"Another point is that there are some countries and schemes trying to favour the domestic market - for example, with the Irish blend obligation planned to have a domestic multiplier."

"In the Netherlands too they want to do C14 testing on imports of physical bio-LNG which means a much more local market for the product rather than allowing the free flow of goods. It removes the option to mass balance [across borders]."

STX was also considering a more direct involvement in the biomethane supply chain, mirroring a move by the Dutch company's biofuels business to become more asset oriented.

"We're looking at it, and we're having active discussions...I don't think in the next 12 months, but in the longer term I could fully envision us being more present in the value chain. I think it's part of the natural journey the company is going through" said Francoys.

Asia

Further afield, Francoys said that there were substantial growth opportunities for biomethane emerging in Asia, with several countries looking at biogas targets this decade to support maritime and industrial decarbonisation and energy security goals.

"The APAC region or basically any country that can produce the lowest cost biomethane will have a very interesting outcome, but that also then requires having the market infrastructure in place to facilitate cross-continent, cross-country trading."

"And that's currently just not the case. I'm hopeful that in three years from now it's going to be a lot more fungible than it is today."