

Policy Briefing Note #3

Issue:

Lack of policies for biomethane use as vehicle fuels in many EU countries prevents biomethane producers to enter the market with the highest potential profit margin.

Background:

Policies, both regulatory and economic incentives are missing for biomethane as a vehicle fuel in most of the fifteen EU countries that were reviewed in the RecordBiomap project. All but one of the studied countries have specific policy targets for reducing fossil fuels in the transport sector but less than half of the countries have any kind of framework for using biomethane as a vehicle fuel.

Discussion:

In most EU countries, no matter where they sit on the scale of comparative energy pricing, vehicle fuel is where the willingness to pay for energy is the highest in terms of cost per unit of energy. For a small to medium scale biomethane project, that in a sense goes against the grain of the scale economy, it is very important to be able to capitalize on the opportunity for profit margins that is uniquely offered by the vehicle fuel market. Additionally, small to medium scale biomethane production is largely going to be a rural production segment where competition for the renewable drive market from electrical vehicles is significantly lower than in urban centers. Since the diesel drive train (thus also biodiesel) have been discredited of late and the interest of ethanol is on the decline, biomethane (both CBG and LBG) fueled NGV-vehicles is probably one of the best bets for greening the rural and regional road transportation systems. This is especially true if the biomethane is generated from organic waste streams such as manure, sewage sludge, food processing waste and food waste since that generates double environmental benefit.

Potential cost neutral incentives for use of biomethane as vehicle fuel are:

- Clear tax advantage for biomethane over natural gas, gasoline and diesel (cost neutral if introduced as a tax-shift)
- Specific branding of a fuel mix consisting of a mixture of natural gas and biomethane
- Mass balance accounting system for biomethane on the natural gas grid combined with high requirements for ratio of natural gas to biomethane in NGV-fuel sold at gas stations
- Requirement that all major gas stations should market at least one renewable fuel combined with tax incentives as suggested above to ensure that 100% biomethane or mix of biomethane and natural gas is a competitive alternative
- Reduced vehicle tax and/or reduced road tax for NGV
- Reduced parking fees in cities for NGV
- Specifically allow NGV in cities if diesel vehicle ban is implemented

Options:

1. No action. Consequence: Biomethane producers will not get access to the market with the highest willingness to pay. Business model for small to medium scale biomethane production is made much weaker.

2. Review policies in other countries that favor biomethane use as vehicle fuel and adopt and adapt to local context: Consequence: Business model for small to medium scale biomethane production is made stronger

Recommendation:

Option 2

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