

*To the Attention of Member States Representatives, Deputy Permanent Representatives to the EU, Energy Attachés*

Brussels, 27 September 2022

**RE: Regulation on an emergency intervention on high energy price : imposition of revenues cap on biogas hampering flexible generation competing with natural gas.**

Dear Madame, Dear Sir,

In advance of the Extraordinary Energy Council on September 30, I am contacting you on behalf of the European Biogas sector regarding the European Commission Proposal for a Council Regulation on an emergency intervention to address high energy price.

The proposal includes the application a revenue cap that, in the intention of the Commission seeks to avoid “hampering incentives in investments in flexible generation technologies (e.g. demand response and all types of storages), and the production of electricity from sources that directly compete with natural gas and gas-fired power plants”.<sup>1</sup>

**However, its application to biogas electricity would precisely hamper incentives to a key renewable and flexible generation solution. For this reason, our sector calls on Member States representatives to extend the proposed exemption for biomethane, to biogas.**

Contrary to the inframarginal technologies listed in article 7 of the proposal, biogas plants must bear significant operational cost, due to the substrate input and technical maintenance. Since the start of the energy prices crises, the cost of substrates has sharply risen (up to 100% in several EU countries) as well as transport pricing. This has resulted in strongly inflated operational costs, compared to pre-crisis average on a range from 30% to 55%, depending on country conditions and feedstock used.

The imposition of a flat revenue cap would not consider this fluctuation and would impact the business case of one of the few key autochthonous alternatives to imported gas.

The intrinsic value of flexibility provided by biogas fired cogeneration plants must be considered in designing a policy mitigating high energy prices. Balancing the grid and allowing higher variable renewables penetration, enabling energy system integration are key to the functioning of our energy system.

Finally, securing the good functioning of existing biogas capacity is paramount to stimulate upgrading of biogas to biomethane and achieving the REPowerEU target.

Yours sincerely,

Giulia Laura Cancian - Secretary General - European Biogas Association