

RNG Long-Term Offtake Market Begins to Rebound

The long-term renewable natural gas (RNG) offtake market experienced a recent slowdown but is now progressively picking up, supported by a favorable regulatory framework and increasing activity in the voluntary market.

The RNG market faced challenges in late 2024. Uncertainty loomed over renewable energy markets — including RNG — as a new administration prepared to take office. Adding to the volatility, the EPA reduced 2024 compliance commitments for obligated parties under the Renewable Fuel Standard (RFS).

Despite these headwinds, several positive developments signaled long-term growth for RNG and the broader biofuels industry. Notably, the U.S. Treasury Department released long-awaited guidance on the 45Z tax credit for clean transportation fuel producers. This incentive is expected to provide an economic boost to project developers and encourage new investments in the sector. Meanwhile, utilities in several states continue to purchase substantial volumes of RNG on the voluntary market, further reinforcing demand.

As 2025 began, market participants eagerly awaited clarity on the Trump administration's stance on RNG. Despite its strong focus on fossil fuels, the administration has shown signs of openness to RNG, particularly as part of its approach to biofuels and energy independence.

Amid these uncertainties, the price of the D3 RINs has remained relatively stable at around \$2.50. Encouragingly, EPA Administrator Lee Zeldin has pledged to set timely targets for future renewable volume obligations (RVOs), a key driver of the RIN market demand. This commitment could bring more long-term stability to the market. Although natural gas prices play a smaller role in RNG values, they remain an important consideration. After reaching record lows in 2024, prices have rebounded to more typical levels due to colder winter months and increased inventory withdrawals.

Meanwhile, the RNG industry continues to grow rapidly. According to the American Biogas Council, 125 new biogas projects became operational in 2024, with 95% of these being biogas-to-RNG facilities.

RNG production is supported by the growing demand from voluntary buyers, transportation fuel markets, and the establishment of state specific RNG

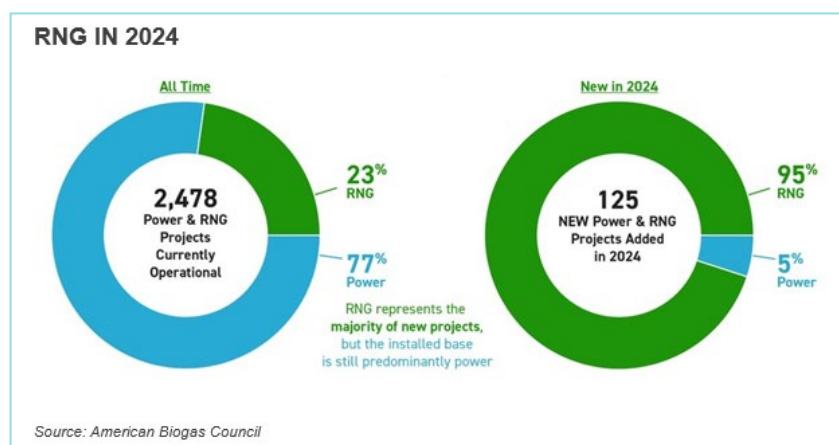


Figure 1: ABC Data Digest

procurement programs. In addition to these domestic markets, the demand for RNG in foreign markets, like Canada and Europe, continues to grow. These emerging markets are expected to help support stable RNG pricing in the future.