

## **EBA Policy Paper**

# **The Clean Industrial Deal**

The European Biogas Association (EBA) welcomes the European Commission's Clean Industrial Deal Communication as an important initiative toward a sustainable, competitive and resilient future for the EU. However, the Communication missed the opportunity to clearly recognize and provide the well-deserved space for biomethane as a key solution in achieving Europe's energy and climate objectives. Despite its many advantages, biomethane has not been given the prominence it deserves, as other less competitive and not always green alternatives. Biomethane is not only clean and renewable, but also highly competitive and circular.

As the EU strives toward its climate and energy goals, the biogases sector is becoming increasingly critical in achieving a sustainable and resilient Europe. European biogases offer a unique opportunity to support energy security, reduce dependency on fossil fuels, and contribute significantly to the EU's carbon-neutral ambitions. The sector is one of the most cost-competitive and scalable sources of renewable biogases. Currently, the sector provides 22 billion cubic meters (bcm) of renewable gas to the European market, and could cover more than 80% of the EU's gas consumption by 2040. This represents a significant opportunity to reduce the EU's reliance on imported gas while providing a sustainable, cost-competitive alternative to fossil energy sources.

Biogas and biomethane are integral to the EU's transition to a circular and sustainable economy. Beyond energy, they offer critical environmental benefits, such as revitalizing European soils and reducing fossil CO<sub>2</sub> emissions with biogenic alternatives. The EU's leadership in biogas technologies reinforces its global position in clean energy innovation. To fully realize this potential and contribute to the EU's competitive and clean transition, the biogas sector must be properly recognized and supported. To this end, it is of paramount importance that the legislative proposals that will stem from the Clean Industrial Deal:

### **1. Affordable energy**

- a. Simplify and fast-track permitting under the Industrial Decarbonisation Accelerator Act
- b. Support BPAs to offer long-term price stability for energy-intensive industries
- c. Reform energy taxation to support biomethane

### **2. Lead markets**

- a. Establish a robust regulatory framework for biogenic carbon
- b. Create a market for decarbonised products and integrate carbon removals into the EU ETS
- c. Recognise biomethane as a key clean technology for transport decarbonisation
- d. Strengthen EU leadership in clean technologies

### **3. Financing**

- a. Leverage the Decarbonisation Bank, Competitiveness Fund, and Clean Industrial Deal State Aid Framework to support biomethane production
- b. Support innovation and investment for long-term growth with EU project and funds
- c. Extend IPCEI to cross-border biomethane and e-methane infrastructure projects

### **4. Circularity**

- a. Set a mandatory EU nutrient recycling target under the Bioeconomy Strategy
- b. Support the introduction of a voluntary carbon intensity label for fertilisers under the Industrial Decarbonisation Accelerator Act

## 1. Affordable energy

Biomethane is a key long-term solution to reduce energy price volatility and enhance Europe's energy security. As a locally produced renewable gas, it can directly substitute fossil gas without requiring major infrastructure investments, while offering a stable energy source insulated from global market shocks. To fully harness its potential, new production capacities must be rapidly deployed. This requires simplifying and accelerating permitting procedures, which remain a major bottleneck. This simplification should be pursued under the Industrial Decarbonisation Accelerator Act, including reducing the volume of documentation required at early stages and streamlining feedstock-related procedures, so to cut costs and delays, encouraging faster biomethane deployment. Moreover, technical support to Member States is essential to implement energy permitting legislation effectively, as well as a standardised, open-source digital platform should be developed to streamline and harmonise permitting processes across the EU.

To stabilise energy prices for energy-intensive industries, Biomethane Purchase Agreements (BPAs) should be promoted. These contracts offer long-term price certainty and stimulate demand for biomethane. The upcoming EU Competitiveness Fund should provide guarantees for BPAs, while guidance currently planned for Power Purchase Agreements (PPAs) should be expanded to include BPAs.

Taxation also plays a crucial role in improving affordability and sending the right market signals. Member States should revise the Energy Taxation Directive to assign biogases lower minimum tax rates than natural gas, without invoking state aid controls. Additionally, EU recommendations on energy taxation should encourage the use of fiscal tools aligned with state aid rules to incentivise biomethane production and consumption.

Finally, biomethane should be leveraged to green energy grids and improve flexibility. It can support electricity generation during renewable fluctuations, especially through biogas-CHP plants that provide both power and heat. When paired with hybrid heat pumps, biomethane can help manage electricity demand peaks, offering consumers a flexible and affordable energy option. By integrating biomethane into existing systems, the EU can enhance reliability and accelerate the transition to a sustainable energy future.

## 2. Lead markets

EBA welcomes the Clean Industrial Deal's strong emphasis on fostering lead markets for clean technologies and sustainable products. Achieving a decarbonised yet competitive economy will require robust political support for sustainable alternatives, as fossil-based production remains structurally cheaper and will likely continue to be so without targeted policy intervention. Long-term certainty and incentives are essential to reward decarbonisation efforts and ensure that cleaner production pathways, such as biogas and biomethane, are both market-viable and competitive. Buyers must be willing and able to pay fair prices for low-carbon solutions, and the right policy signals can help create that demand.

The biogas and biomethane sector offers one of the most cost-effective, scalable, and safe technologies for capturing biogenic CO<sub>2</sub> and delivering negative emissions. To harness this potential, a comprehensive regulatory framework supporting biogenic carbon capture must be developed. This should include a legal definition of biogenic carbon, harmonised certification criteria, and prioritisation of its use and storage over fossil-based carbon. A dedicated target for biogenic carbon under the revised Climate Law is also needed,

along with a specific roadmap and target for carbon removals in the biogas sector. Additionally, regulatory barriers that limit the viability of carbon capture business models – such as the time restriction on emission saving claims in RED II Annex VI – should be removed.

To create a functional market for captured carbon and decarbonised products, carbon removals should be integrated into the EU Emissions Trading System (ETS), and simple, harmonised carbon footprint labelling introduced. Emission accounting methodologies must clearly reflect the low-carbon profile of biogas and biomethane, enabling their value to be recognised in product labelling and corporate sustainability reporting. The EU should also require minimum biogenic carbon content in sustainable products and introduce mandatory quotas in public procurement for both low-carbon goods and carbon removal certificates.

Biomethane must be fully recognised and incentivised as a clean technology, particularly in the decarbonisation of transport. A binding definition of carbon-neutral fuels should be established, alongside a robust methodology to quantify the net-zero contribution of biogas and biomethane. Policy should support its uptake in hard-to-decarbonise transport sectors – such as heavy-duty vehicles, aviation, and shipping – and promote its role as a key complement to electrification.

Finally, in the face of growing global competition, the EU must act swiftly to secure its leadership in clean technologies, with biogas as a key strategic asset for decarbonisation, circularity, and energy security. This leadership depends on evidence-based industrial and trade policies underpinned by accurate data. To enable fair Clean Trade and Investment Partnerships (CTIPs) and informed policymaking, EU institutions must ensure traceability of biogas and biomethane technologies in trade flows. EBA recommends including biogas technologies in the upcoming Customs Code reform to allow precise monitoring of imports and exports of these strategic technologies.

### 3. Financing

EBA welcomes the financial measures outlined in the Clean Industrial Deal to support the decarbonisation of EU industries. To deliver immediate and impactful results, these initiatives must prioritise technologies that are scalable and capable of replacing fossil fuels today, such as biomethane. As a domestic, renewable gas, biomethane offers a ready-to-deploy solution for decarbonising industrial heat and processes. However, investment in the sector is often hampered by economic uncertainty and regulatory complexity. To overcome these barriers and accelerate deployment, targeted support through mechanisms like the Decarbonisation Bank, InvestEU, Horizon Europe, and state aid frameworks is essential.

The Decarbonisation Bank and the Competitiveness Fund should be leveraged to de-risk investments in equipment manufacturing, biomethane production, and carbon capture, utilisation, and storage (CCUS) for industrial applications. The upcoming Clean Industrial Deal State Aid Framework should also permit supportive measures such as investment in biogas for industrial heat decarbonisation, public guarantees for Biomethane Purchase Agreements (BPAs), and Carbon Contracts for Difference linked to biomethane use.

In parallel, research and innovation funding through Horizon Europe and the Innovation Fund must be directed toward improving productivity, advancing technology, and developing new sustainable feedstocks to expand biomethane potential. The eligibility criteria of the InvestEU Programme should be extended to include new manufacturing capacities to avoid delays in the rollout of biomethane technologies. To further

unlock investment, the EU sustainable finance taxonomy must be revised in a technologically neutral way to fully recognise the biogas and biomethane sector across both production and end-use applications.

Lastly, Important Projects of Common European Interest (IPCEI) should be expanded to cover new cross-border areas, including e-methane production, smart gas grid development, and biogas technology manufacturing, ensuring a coordinated and impactful EU-wide approach to industrial decarbonisation.

## 4. Circularity

EBA strongly supports the recognition of the strategic importance of enhancing domestic fertiliser production, particularly low-carbon fertilisers and those derived from recycled nutrients such as digestate and digestate-derived products. Currently, large conventional fertiliser producers are not transitioning toward the production of bio-based or organo-mineral fertilisers, incorporating or derived from digestate.

To unlock the potential of these fertilisers in the market, it is crucial that the upcoming EU Bioeconomy Strategy includes a clear and strong incentive by setting a European nutrient recycling target. This target would mandate that a minimum percentage of fertilisers sold in the EU contain blended recycled nutrients or are advanced bio-based fertilisers (i.e. struvite, mineral concentrate, ammonium salts, etc.). The proposed target could require that, of all fertilisers sold, at least 5% must incorporate recycled nutrients or be advanced bio-based fertilisers such as struvite, mineral concentrates or ammonium salts. This target should be set as an incremental target, with the required percentage increasing over time, allowing the conventional fertiliser industry to gradually adapt its products and processes, facilitating a smooth transition to incorporating bio-based fertilisers into their offerings. Establishing such an obligation would create a stable supply of high-quality bio-based fertilisers and support the transition toward a more sustainable, clean agri-food industry.

Given its energy-intensive nature, the fertiliser industry could also be a key candidate for a voluntary label highlighting the carbon intensity of its products as part of the Industrial Decarbonisation Accelerator Act. Such a label would offer greater transparency, allowing farmers to easily assess and compare the environmental impact of the fertilisers they choose to apply. This increased awareness could drive a shift in consumer preferences, incentivising the adoption of more sustainable alternatives, such as bio-based fertilisers, which typically have a lower carbon footprint.

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### About the European Biogas Association (EBA)

EBA fully believes in the future potential of renewable gas in Europe. Founded in 2009, the association is committed to the deployment of sustainable biogas and biomethane production and use throughout the continent. EBA counts today on a well-established network of over 300 national associations and other organisations covering the whole biogas and biomethane value chain across Europe and beyond.