

Rewards and risks: Biomethane

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Despite a number of restrictions which were passed by the Slovak and Czech parliaments last year (especially in the solar sector), there are still areas of renewable energy production that could be attractive for investors. Ambitious EU policy requires member states to meet certain goals for renewable energy.

Each state must find ways to promote and support renewable energy. Slovakia is required to achieve a 14% renewable output by 2020. That is, 14% of the overall energy produced in Slovakia must be sourced from renewable sources. In this context, investors can remain assured that promotion of renewable energy cannot be restricted or terminated as a whole.

Legal Framework

The legal framework for renewable energy is based on the Act No. 309/2009 Coll. on Support of Renewable Energy Sources ("RES"), which introduced support schemes for production from sources like water, sun and wind. The sector that is currently the focus of great interest is biomethane. Biomethane is defined by the act as "an adapted biogas with technical parameters which are comparable with the technical parameters of natural gas."

Legal support for biomethane was strengthened by the amendment No. 136/2011 Coll. to the above-mentioned act. First and foremost, support is provided by priority distribution of biomethane. In short, the producer has a priority in connection to the distribution net. A biomethane producer has the right to be granted a certificate regarding the origin of the gas. A certificate regarding its quality and amount is also guaranteed. Importantly, the law supports a guarantee

of revenue per unit of electricity produced over a 15-year period as of the date a plant is put into operation.

Comparing Other Renewable Sources

Concerning the legal framework for each renewable source, especially when compared to the feed-in-tariffs for producing electricity based on solar, biomethane provides greater stability. Biomethane production also delivers secondary advantages. Locating the plant in agricultural areas where low employment rates exist can create new job opportunities.

Biomethane production enjoys greater legal stability than the solar sector.

The law supports the biomethane producer during the development of the plant. Three quarters of the costs for building the branch pipe are covered by the network operator DSO; the remaining costs are covered by the producer in the amount not exceeding EUR 250 000. If the pipe exceeds 4 km, however, the producer has to cover the total costs regarding the pipe construction over 4 km. Thanks to its status as a substitution for natural gas,

biomethane has comparable advantages over other renewable sources as it can be used not only in producing electricity and heat, but in other potential industrial uses including fuel.

The Gas Producer's Responsibilities

The main responsibilities of the biomethane producer include ensuring that the biomethane distributed in the network matches the quality of natural gas and that it is properly measured. Further, the producer must ensure that during the processing of the gas, a maximum emission of methane will not exceed 1%. In creating the production line, the producer will need to conclude a gas supply contract with the gas purchaser and provide the concluded agreement to the operator of the distribution network. During construction, it is recommended not to limit the neighboring land plots and their use and to ensure proper soil and tree waste transportation and liquidation. The local environmental authorities may impose specific obligations related to the environmental impact of the power plant. The maximum authorized level of noise should be considered. In this connection, only isolation of gas combustion engines needs to be considered as the biomethane gas production itself creates no noise. Structural engineers and designers are naturally required to meet certain technical requirements. In creating the design, limiting access to the

production site is recommended so that unauthorized persons cannot breach a secure area.

Risks

Of course, some risks have to be considered. As in nearly every new market, bureaucratic obstacles connected with little practical experience, for example from the building authorities, could be expected. Given the limited practical experience in Slovakia with planning, construction and operation of biomethane gas plants, certain unanticipated risks exist. Prior to investing in biomethane, investors must ensure their supply network, which, due to its infancy in Slovakia, is not extensive, but is expanding. It is recommended to start the business in rural regions, where investors could find better opportunities to source the appropriate supplier. Securing land ownership could also be a significant obstacle to overcome.

Summary

In summary, given EU goals for energy production from renewable sources, investors can remain assured that promotion of renewable energy will not be restricted or terminated as a whole. Biomethane production enjoys greater legal stability than the solar sector and can create new job opportunities in agricultural regions that may suffer from higher unemployment. Certain risks exist in any pioneering field; biomethane production is no exception, but with the right planning and support through all stages of preparation and operation, it seems clear that some enterprising partners can be rewarded.



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