Bioresources Market Review Consultation

The Anaerobic Digestion and Bioresources Association (ADBA) is the trade association that represents the range of interests and matters related to the anaerobic digestion of organic materials across the UK, including the collection of waste for use as feedstock. ADBA is at the forefront of the AD sector, promoting the potential of AD to cut Greenhouse Gas emissions and in the hardest to decarbonise sectors of heat, transport, waste management and agriculture. ADBA has nearly 300 members from across the AD industry, including plant operators and developers, farmers, local authorities, waste management companies, supermarkets, food processors, energy and water companies, equipment manufacturers and suppliers, consultants, financiers and supporting service companies.

There are now 685 AD plants operating in the UK producing nearly 16TWh every year, including capacity to inject nearly 90,000m^3/hr of upgraded biomethane into the gas grid to provide heat for over 450,000 homes.

The ready to use technology for the hardest-to-decarbonise sectors

The next 10 years present the greatest challenge for governments around the world to respond to the urgent climate crisis we are facing. AD already reduces the UK's carbon emissions by over 1% and has the potential to reduce them by as much as 6%. The Committee on Climate Change (CCC) has consistently identified biomethane as a "low regret option", advising that greater quantities of the green gas are urgently required and that AD needs to be used more widely on farms if the UK is to meet its fifth carbon budget between 2028 and 2032. AD is the ready-to-use technology to cut emissions in the hardest to decarbonise sectors of heat, transport, waste management and agriculture by reducing emissions from rotting food and farm wastes, providing low-carbon biofertiliser, and displacing fossil fuels with green gas.

AD at the heart of a circular economy

AD closes the loop, developing a circular economy by drawing value from waste and feeding its value back in to the system. Organics processed through AD produce renewable energy, green CO_2 and biofertiliser, which, in turn, can be returned to the land to grow more plants. AD increases the efficiency of farms, cities, and businesses – nothing is wasted.

Circular cities can recycle their food and garden waste and wastewater into fuel for local buses; power and heat for homes; digestate for urban gardens; and bio-CO_2 for urban farming, industrial processes or carbon storage. Circular farms can capture the methane emissions from manure and farm wastes to provide community energy to rural areas; generate clean fuel for tractors; diversify rural incomes and help replenish depleted soils. Circular business can recycle inedible organic residuals through AD to fuel transport fleets, produce heat, and power industrial processes, replacing fossil energy needs, use bio-CO_2 in industrial processes, and recovering nutrients to spread back to soil.

Local energy security and local recycling infrastructure

AD is good for the UK's energy security. It is home-grown and supplies are constant and reliable. AD is delivering home-grown green energy now and can continue to do so. AD can contribute far more to the UK's energy security with the potential to deliver 26% of domestic gas demand in the UK, whilst also reducing imports and curbing carbon emissions.

AD is highlighted in the Government's Resources and Waste Strategy for England as representing "the best environmental outcome for food waste that cannot be prevented or be redistributed". To realise the ambitions of the Strategy and meet UK recycling targets, mandatory separate food waste collections are required throughout the UK. This will require more food waste AD capacity to treat and recycle the resulting separated food waste, and support for local authorities in their adoption of suitable recycling practices.

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As stated above, ADBA is a trade association representing both water companies and other 'third party' – in the context of this consultation – organisations. We appreciate that there will be a lot of ongoing conversation with water companies and while we represent their interests, we also understand that these organisations will likely be submitting their own responses to this consultation. Therefore, in this response, we provide commentary on the implications of the measures described within the consultation on third party AD.

Q1: Do you agree with, or have any comments regarding, Jacobs' bioresources market review report?
No further comments at this time.

Q2: Do you agree with, or have any comments regarding, the proposals and views we set out in this document?
Issue 1 – Market Model

- We agree with system developments that facilitate third-party entrance to the market, however care must be taken to ensure that such systems do not promote unfavourable market conditions that drive gate fees to such a low price that this creates instability within the third-party AD market. As we have seen in other areas of the AD industry, low (to negative) gate fees can be detrimental to the industry. Should gate fees be too low, this may discourage emerging parties from bidding for capacity and may result in a lack of participation from the wider sector.
- It is also important to ensure that gate fees are not driven down to such an extent that the industry is not able to support itself away from government subsidies such as the RTFO, RHI and the GGSS. While we appreciate that the purpose of this exercise is to drive positive cost outcomes for the consumer, such waste treatment services are just that – services – and companies should be remediated accordingly. Presently, government subsidies support AD services via its energy production, and as government seeks to scale back these energy incentives, gate fees will be instrumental in ensuring AD plants are adequately paid for their waste management services.
- There must be robust measures in place to discuss the development of any frameworks designed to assess the relative resilience of third-party suppliers, and that such frameworks are fair and transparent.

Issue 2 – Improving cost allocation between controls

- No feedback

Issue 3 – Approach to assessing costs

- No feedback

Issue 4 – Planning and collaboration

- We agree that there should be strong collaboration across the sector and this should be extended to third parties or relevant bodies. Furthermore, we would request clarity on the fact that "the rest of the sector" does extent to third party AD providers looking to engage with the bioresources sector.
- If Ofwat were to go with Option 1, then it might be beneficial to establish an informal (or indeed formal) review process to assess progress towards collaboration. This could be done through engagement with parties such as ADBA.

Issue 5 – Information Remedies

- We agree with Ofwat's assessment and welcome changes to the information that help identify additional market opportunities for third parties be that through identifying available feedstock, opportunities to shorten transportation routes etc.

Issue 6 – Outcomes

- No further comment other than that it is important to be mindful of the necessity to reduce carbon emissions, and as such Ofwat should ensure that the drive for more efficient trading opportunities does not have unintended consequences on carbon emissions abatement measures.

Issue 7 – Trading Incentives

- No further feedback at this time.