

BP to acquire Houston-based renewable natural gas co. Archaea Energy in \$4.1B deal

By Olivia Pulsinelli – Assistant managing editor

Oct 17, 2022

BP PLC (NYSE: BP) is buying Archaea Energy Inc. (NYSE: LFG), a renewable natural gas company that moved its headquarters to Houston last year around the same time it went public.

The deal is valued at approximately \$4.1 billion, including about \$800 million of net debt, the companies announced Oct. 17. BP agreed to pay \$26 in cash for each Archaea Class A and Class B share, representing an approximately 38% premium to Archaea's volume weighted average share price for the 30 days ending Oct. 14.

Current owners of approximately 27% of Archaea's outstanding shares have agreed to vote in favor of the deal.

The deal is expected to close by the end of 2022, and Archaea will operate as a subsidiary within BP.

"Archaea was founded with a mission to build the world's leading (renewable natural gas) development company to reduce global emissions and make multigenerational sustainability impacts," Archaea CEO and co-founder Nick Stork said. "In a very short period of time, we have rapidly become a leading RNG platform in the U.S., and today's announcement will further enable this business to realize its full potential. BP is a world-class partner and a strong fit for Archaea, with a strategic focus on bioenergy and an operational history in the RNG value chain that is fully aligned with ours and our partners'."

Archaea Energy went public in September 2021 via a combination with Pittsburgh-based blank-check company Rice Acquisition Corp. and Aria Energy LLC in deals worth more than \$1 billion.

Around the same time, Archaea moved its headquarters to Houston, the company told the Houston Business Journal previously. The company currently has office space in the River Oaks District, but its permanent headquarters will be in the massive M-K-T mixed-use development at 600 N. Shepherd Drive.

"We chose Houston largely because of its large pool of world-class talent we can tap into for our growing company and its established status in the energy and renewable energy industries," Archaea said in February.

In May, Archaea announced it agreed to buy Virginia-based Ingenco in a \$215 million cash deal. The acquisition, which closed in July, included 14 landfill gas-to-electric plants and related gas rights. The company said it plans to build Archaea V1 RNG facilities on 11 Ingenco sites that do not currently have RNG plants.

With its 50 RNG and landfill gas-to-energy facilities across the U.S. — and its development pipeline of more than 80 projects with a combined potential to create a five-fold increase in RNG volumes by 2030 — Archaea will double the EBITDA that BP expects to generate from biogas to around \$2 billion by 2030, the London-based energy giant said. Archaea currently produces around 6,000 barrels of oil equivalent a day, and it's expected to increase BP's biogas supply volumes by 50% immediately when the deal closes.

"Archaea is a fantastic fast-growing business, and bp will add distinctive value through our trading business and customer reach," BP CEO Bernard Looney said. "It will accelerate our key bioenergy growth engine, creating a real leader in the biogas sector, and support our net-zero ambition. And, importantly, we're doing this while remaining focused on the disciplined execution of our financial frame. Investing with discipline into the energy transition, creating further value through integration — this is exactly what BP's transformation into an integrated energy company is all about."

Morgan Stanley & Co. LLC is acting as financial adviser to BP and Freshfields Bruckhaus Deringer as lead legal adviser to BP. BofA Securities acted as financial advisor to Archaea and Kirkland & Ellis LLP acted as Archaea's legal advisor.