

Shell to boost renewable natural gas business with \$2B acquisition of Nature Energy Biogas

By Olivia Pulsinelli

Nov 29, 2022

London-based Shell PLC (NYSE: SHEL), which has a major presence in Houston, has inked a \$2 billion deal to acquire the largest renewable natural gas producer in Europe, the energy giant said Nov. 28.

Shell Petroleum NV, a wholly owned subsidiary of Shell, will acquire Denmark-based Nature Energy Biogas A/S from Davidson Kempner Capital Management LP, Pioneer Point Partners and Sampension. The deal is expected to close in the first quarter of 2023, and Nature Energy will operate as a wholly owned subsidiary of Shell, initially retaining its existing brand.

Nature Energy produces RNG, also known as biomethane, from agricultural, industrial and household wastes. It has 14 operating plants with associated infrastructure and feedstock arrangements as well as a pipeline of around 30 new plant projects in Europe and North America. The company has 420 employees in Europe and North America.

Shell's existing RNG production business in North America has one operational site and four under construction. Shell also is a trader of RNG and has a wide range of RNG and bioLNG customers, including large corporate, road hauliers and marine customers.

“Shell’s competitiveness in low-carbon fuels derives from capabilities across the value chain, combining a world-class Trading and Supply organisation with access to differentiated technology and production assets,” Huibert Vigeveno, Shell’s downstream director, said in a statement. “Acquiring Nature Energy will add a European production platform and growth pipeline to Shell’s existing RNG

projects in the United States. We will use this acquisition to build an integrated RNG value chain at global scale, at a time when energy transition policies and customer preferences are signalling strong growth in demand in the years ahead.”

Earlier this year, at least two other energy giants with major presences in Houston announced similar RNG-related deals. California-based Chevron Corp. (NYSE: CVX) announced in February that it would acquire Iowa-based Renewable Energy Group Inc. in a \$3.15 billion deal, which closed in June. In October, BP PLC (NYSE: BP) announced a \$4.1 billion deal to acquire Houston-based Archaea Energy Inc. (NYSE: LFG).

Energy supermajors are recognizing the value that some of the pure-play renewables companies are bringing to market, Matthew Blair, managing director of refining and chemicals research at investment bank Tudor, Pickering, Holt & Co., told the Houston Business Journal in October.

"I think this wasn't really seen as a one-off deal," Blair said of the BP-Archaea deal. "It's an acknowledgment that you're likely to see additional takeouts for some of these names down the road, and the market is pricing that in today."