

## SoCalGas Enters First-of its-Kind RNG Procurement Agreement

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SoCalGas has selected Organic Energy Solutions for California's first in-state renewable natural gas (RNG) project approved under SB 1440, which mandates that utilities procure a share of RNG from local organic waste sources. The San Bernardino facility will convert industrial and food waste into clean energy, supporting California's broader climate goals to reduce methane emissions and landfill waste.



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SoCalGas, California's largest natural gas utility, has awarded Organic Energy Solutions (OES) the first renewable natural gas (RNG) project approved by the California Public Utilities Commission under SB 1440. The law requires the state's investor-owned natural-gas utilities to procure a certain percentage of RNG, and for those projects to be developed in California.

OES will collect industrial and food waste in the San Bernadino area and process it in an anaerobic digester with the end product to be available to residential and small commercial customers.

SB 1440 sets a procurement target of 17.6 billion cubic feet (BCF) annually by 2025, which must be sourced from organic waste diverted from landfills, in support of SB 1383's organic waste diversion goals.

Utilities must procure approximately 12.2 percent (or 72.8 BCF) by 2030 and beyond, as forecasted in the 2020 California Gas Report. Under this target, utilities can source RNG not only from landfill waste, but from wastewater treatment plants, synthetic gas, and dairies.

This non-fossil renewable is seen as a powerful mechanism in reach of the state's ambition to reduce methane emissions by 40 percent by 2030. Depending on the feedstock, biomethane can be carbon negative.

"We believe [investing in] RNG projects is a really good way to enhance our commitment to sustainability and innovation as California transitions to cleaner energy," says Elsa Valay-Paz, vice president, Gas Acquisition, SoCalGas.

Developing those projects in-state comes with more benefits.

"It allows us to adhere to California's environmental regulations and align with state goals around organic waste reduction and methane emissions by reducing organic waste. It allows us access to reliable gas that is developed and delivered in the state. And it supports local businesses and infrastructure," she says.

The utility focuses on several areas when vetting RNG suppliers. Feedstock quality, efficiency of the conversion process from organic waste to RNG, and vendors' track records are top of list.

"We look at [biomass] pyrolysis projects. We look at wastewater. And we are increasingly interested in landfill gas. Though we are looking for a little more clarity in terms of when we can procure [RNG] from landfill gas," Valay-Paz says.

SoCalGas has been injecting RNG into the pipeline since 2019, which serves the transportation market. That gas currently represents 5 percent of its distribution across about 24,000 miles of pipeline running through Central and Southern California.

While the attention through this relatively new rule is on residential and small commercial customers, a future aim is to cater to large commercial and industrial buyers. This sector is increasingly showing interest in replacing fossil with cleaner fuel to reduce its carbon footprint.

RNG is pretty much their only commercial option for renewable gas today, says Patrick Serfass, executive director, American Biogas Council.

Many states now allow voluntary RNG sales where customers can pay a premium to use this low-carbon energy source. This market and others are growing, but most of the RNG

produced today is sold under the Federal Renewable Fuel Standard, where RNG brings a premium when used in natural gas vehicles, says Thomas Murray, vice president of Decarbonization Technology, Vermont Gas/VGS.

VGS was the first gas utility in the U.S. to launch a voluntary RNG program, beginning in 2018.

As RNG production expands and more utilities invest, new purchase programs evolve.

“Every utility operates in one or more unique state regulatory environments, and these programs can vary widely depending upon the tariffs approved by their Public Utilities Commission or Public Service Commission and depending on regulations,” Serfass says.

In some programs the utility might buy both the RNG and its environmental attributes. In others it may purchase the environmental attributes alone.

Utilities like Duke Energy and Dominion have entered joint ventures with developers and waste generators to access RNG at scale and to meet their own sustainability goals.

Commonly utilities buy RNG in response to demand from their customers, with Washington State’s Puget Sound Energy, Canadian Enbridge Gas, and Michigan’s DTE Electric among them.

The U.S. uses about 90 BCF of natural gas per day. Current RNG production capacity (about 287 BCF) could supply a little less than 1 percent of that, Serfass says.

But he estimates there is potential for about 24,000 biogas facilities—10 times the approximately 2,500 operating today.

“So, a great deal more renewable natural gas could be produced if those facilities were built. And since a lot of biogas, especially from farm-based systems, is carbon negative, one molecule of biogas with a carbon intensity of -85 displaces two conventional natural gas molecules,” he says.

Some biogas projects have a -600 to -700 carbon intensity, able to displace eight to nine times the amount of conventional gas if looking through an environmental lens.

While still quite small, the industry is growing fast, having risen from fewer than 300 operational facilities early in 2023 to 470 operational facilities across North America today.

But there are hindrances to getting RNG into pipelines in a streamlined, cost-effective way, says Dylan Chase, senior manager of communications, RNG Coalition.

Easing interconnection investments will be a large part of making the process easier.

“Currently, RNG projects steered by developers in California are subject to a 24 percent tax factor when a project transfers interconnection assets to the utility. But this tax factor does not apply to utility investments.

“By allowing utilities to avoid the tax factor, projects’ overall costs would decrease, providing savings for utility customers in meeting existing RNG goals,” Chase says.

California’s proposed SB 377 aims to do just that—it would authorize utilities to recover costs associated with RNG interconnection investments.

Back in San Bernardino the OES project is expected to prevent about 15,300 tons of greenhouse gas emissions from entering the atmosphere annually—the equivalent of that generated by 1.7 million gallons of gasoline.

“The way that I think about it is this is an important milestone, not only for SoCalGas, but for the state, because it sets a precedent in terms of our capability to develop these projects in California. It also demonstrates SoCalGas's leadership in advancing the state's renewable energy goals,” Valay-Paz says.