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FINANCE

BlackRock Is Buying Renewable Natural Gas Producer for \$700 Million

Massachusetts-based Vanguard Renewables works with dairy farmers and food companies to convert food waste and cow manure into an energy source

By **Amrith Ramkumar**

BlackRock Inc. BLK 0.11%▲ is buying a company that turns food waste and cow manure into renewable natural gas, a deal that adds to momentum in the industry during the war in Ukraine, company officials said.

The world's biggest asset manager is acquiring Vanguard Renewables, a Boston-area company that works with dairy farmers and food companies to produce renewable natural gas for utilities and energy firms such as Dominion Energy Inc. and Enbridge Inc. The transaction is valued at \$700 million, and BlackRock could spend over \$1 billion more in financing Vanguard Renewables' expansion, a person familiar with the matter said.

Companies such as Unilever PLC's Ben & Jerry's and the yogurt maker Chobani pay Vanguard Renewables to combine their food waste with cow manure to produce renewable natural gas, or RNG, using facilities known as anaerobic digesters. Leftover material from the process can be used as a low-carbon fertilizer.

Vanguard Renewables is one of several companies working to trap harmful methane emissions and turn them into renewable products, a trash-to-treasure process that is popular with some investors.

Although RNG is expensive and a tiny segment of the market, customers buy it to burnish their environmental



Vanguard Renewables uses anaerobic digesters on farms such as one in Vermont to produce renewable natural gas

PHOTO: TODD BALFOUR/VANGUARD RENEWABLES

credentials. In some cases, the companies can receive carbon credits and sell them to help offset the higher cost of the RNG.

Founded in 2014, Vanguard Renewables is one of the industry's largest players with six anaerobic digesters installed in the northeastern U.S. It hopes to have 100 digesters nationally by 2026, using funding that is part of the BlackRock purchase. That total would generate enough energy to power hundreds of thousands of homes.

Through a partnership with Dominion Energy, Vanguard Renew-

ables also turns manure alone into RNG. Dairy farmers can receive a fee for the manure as well as lease payments for providing the land that hosts the equipment.

Natural gas has become a more-attractive investment, with prices rising and a decline in Russian supply driving shortages. Vanguard Renewables' gas is thought to be particularly attractive because it addresses food waste and clean-energy challenges simultaneously. "It's rare to have all those things come together," Chief Executive Neil Smith said in an interview.

Some analysts are wary of the energy industry using relatively small investments in RNG to greenwash, or mislead on climate progress. While not all of Vanguard's facilities run on clean power, even when the company uses fossil fuels to power its facilities, it says it produces gas with much lower emissions. Increasing the number of facilities that run on renewable electricity is a goal to make its process greener, Mr. Smith said.

Vanguard Renewables isn't affiliated with Vanguard Group, the asset manager and rival to BlackRock.

Some investors are betting that the RNG market will surge as regulations and incentives bolster demand. In California, farmers and companies are expanding rapidly to capitalize on subsidies.

Waste Management Inc., the trash and recycling hauler, said in April it would invest \$825 million in RNG, while Duke Energy Corp. said it is investing in two big RNG projects drawing on landfills in North Carolina. A month earlier the private-equity firm TPG Inc. invested in an RNG producer set up by the pork processor Smithfield Foods Inc. and a developer of anaerobic digesters.

Some RNG companies are going public despite recent volatility in the stock market. This week investors approved a deal to take public Opal Fuels LLC, an RNG firm focused on making a diesel-fuel alternative for trucking, through a special-purpose acquisition company, or SPAC. Such



BlackRock is acquiring Vanguard Renewables through a fund managed by its diversified-infrastructure team.

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mergers have become common alternatives to traditional initial public offerings, particularly for companies tied to the energy transition.

Last year a SPAC led by the energy-industry executive Daniel Rice IV took public a company that makes RNG from landfill gas, Archaea Energy Inc. Shares have risen about 40% from the SPAC's listing price, making Archaea one of the best performers among companies that went public this way.

BlackRock is acquiring Vanguard Renewables through a fund managed by its diversified-infrastructure team, which invests in everything from fossil-fuel natural-gas pipelines to cleaner-energy projects. It is buying

the company from the sustainability-focused investment firm Vision Ridge Partners LLC.

BlackRock, which is perhaps best known for its exchange-traded funds that hold publicly traded stocks, runs about \$330 billion in alternative assets including credit, private equity and real assets, such as real estate and infrastructure.

Mark Florian, BlackRock's global head of diversified infrastructure, said the fund is committed to accelerating Vanguard Renewables' growth and environmental impact. The deal is the fund's first RNG investment.

"We think it's the front edge of a longer-term wave," Mr. Florian said.