

# **OPAL Fuels Inc. (OPAL) Q1 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

May 10, 2024 Friday

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**Length:** 8576 words

**Byline:** SA Transcripts

**Body**

OPAL Fuels Inc. (OPAL)

Q1 2024 Earnings Conference Call

May 10, 2024, 11:00 AM ET

Company Participants

Todd Firestone - Vice President, Investor Relations

Adam Comora - Co-Chief Executive Officer

Jonathan Maurer - Co-Chief Executive Officer

Scott Contino - Interim Chief Financial Officer

Conference Call Participants

Derrick Whitfield - Stifel

Matthew Blair - TPH

Martin Malloy - Johnson Rice & Company

Ryan Pfingst - B. Riley

Paul Cheng - Scotiabank

Alex Kania - Marathon Capital

Adam Bubes - Goldman Sachs

Jimmy Larkin - Piper Sandler

Presentation

Operator

Good morning, and welcome to the OPAL Fuels First Quarter 2024 Earnings Call and Webcast. [Operator Instructions] As a reminder, this event is being recorded.

I would now like to turn the call over to Todd Firestone, Vice President of Investor Relations. Please go ahead.

Todd Firestone

Thank you, and good morning, everyone. Welcome to the OPAL Fuels first quarter 2024 earnings conference call.

With me today are Co-CEOs, Adam Comora and Jonathan Maurer; and Scott Contino, OPAL's Interim Chief Financial Officer.

OPAL Fuels released financial and operating results for the first quarter of 2024 yesterday afternoon, and those results are available on the Investor Relations section of our website at opalfuels.com. The presentation and access to the webcast for this call are also available on our website. After completion of today's call, a replay will be available for 90 days.

Before we begin, I'd like to remind everyone that our remarks, including answers to your questions contain forward-looking statements, which involve risks, uncertainties and assumptions. Forward-looking statements are not a guarantee of performance and actual results could differ materially from what is contained in such statements. Several factors that could cause or contribute to such differences are described on Slides 2 and 3 of our presentation. These forward-looking statements reflect our views as of the date of this call and OPAL Fuels does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this call.

Additionally, this call will contain discussion of certain non-GAAP measures. A definition of non-GAAP measures used in the reconciliation of these measures to the nearest GAAP measure is included in the appendix of the release and presentation.

Adam will begin today's call by providing an overview of the quarter's results, recent highlights and an update on our strategic and operational priorities. John will then give a commercial and business development update, after which, Scott will review financial results. We will then open the call for questions.

And now, I'll turn the call over to Adam Comora, Co-CEO of OPAL Fuels.

Adam Comora

Good morning, everyone, and thank you for participating in OPAL Fuels first quarter 2024 earnings call.

2024 is off to a solid start. Our first quarter results were in line with our expectations and we remain on track to meet our full year guidance. With strong RIN pricing, stable production from operating facilities, strong performance and growth from our Fuel Station Service segment and new facilities remaining on schedule, we expect to see a nice progression of production and earnings growth throughout the year.

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Adjusted EBITDA for the quarter was approximately $15 million, in line with last quarter's results when taking into consideration the approximately $16 million of held environmental credit inventory we sold in the final quarter of 2023.

Our vertical integration continues to position us well to take advantage of the supportive market fundamentals for D3 RINs in the RFS market, which benefits both our RNG Fuel business segment and our Fuel Station Services division as we place more RNG through our dispensing network. We have locked in pricing for the majority of our forecasted 2024 RIN production, which provides us visibility and helps to derisk 2024 in terms of full year financial performance.

Operationally, production and efficiency measures were in line with our expectations. Production of 0.8 million MMBtu from our operating facilities remained stable and growing on a same-store basis, with inlet design capacity utilization and utilization of inlet gas remaining between 80% to 90%, consistent with our prior disclosures and above industry averages. We are very excited to announce that our ninth RNG facility, Prince William, has recently commenced operations. John will provide more details later in the call.

We also continue to execute on our growth objectives, and today are announcing that construction has begun on our 15th RNG project at the Cottonwood landfill. The project will have an initial design capacity of approximately 0.7 million MMBtu and is 100% owned by OPAL Fuels. We expect the Cottonwood facility construction period to be in line with our recent projects. We continue to make meaningful progress with our development projects and partners and feel confident that we will meet or exceed our $2 million annual MMBtu target for new RNG projects entering construction this year. As previously mentioned, our Fuel Station Services segment continues to perform and grow in line with our expectations.

As we mentioned during our last earnings call, we remain cautiously optimistic that the IRS will clarify the rules governing ITC eligibility for our landfill gas to RNG projects. Although we did not include any ITC proceeds in the guidance we issued in March, we are hopeful that our new RNG projects will benefit from ITC as we believe was intended.

We often talk about industry tailwinds and we continue to believe there is a great opportunity to expand bipartisan support for our industry. It is important to remember what we do. We capture harmful methane emissions from decaying organic waste and convert them into productive and low-carbon intensity energy products that are drop-in fuels, which utilize existing pipeline and electricity grids. There is growing interest in what should be done with waste in-place methane molecules, and we believe OPAL is well positioned to be a leader in their capture, conversion and marketing with proven technologies and a proven track record.

With that, I'll turn it over to John. John?

Jonathan Maurer

Thank you, Adam, and good morning, everyone.

We're proud of our accomplishments this quarter, and as Adam mentioned, believe we are well-positioned to see a nice progression of production and earnings growth over the course of this year in line with our guidance. There are two main reasons for this outlook: first, we have clear visibility to RNG production growth from new projects coming online this year; and second, we expect continued growth from our operating projects.

With respect to new projects coming online in 2024, we are very excited to announce that our ninth RNG facility, Prince William, has recently commenced operations and is expected to contribute meaningfully as it ramps production as we move through this year. Prince William, combined with Sapphire and Polk, which are on schedule to begin operations in the third and fourth quarters, respectively, provide the roadmap for us exiting 2024 with 8.8 million MMBtu of annual design capacity in operation compared to 3.9 million MMBtu and 5.2 million MMBtu exiting 2022 and 2023, respectively. Significantly, the project has been producing pipeline-quality gas, and we have submitted the documentation for registration of the Prince William project under the current RFS rules with the EPA. With Prince William, we now have nine RNG projects in operation, with an aggregate annual design capacity of 7.0 million MMBtu, tripling since year-end 2021.

Then, with respect to increasing output from operating projects, looking at the first quarter results, RNG production increased to 0.8 million MMBtu from 0.6 million MMBtu in the first quarter of 2023. The increase is largely due to the Emerald RNG project's contribution to production volumes, and was also complemented by same-store sales growth from our other operating projects. These are trends that we expect to continue throughout 2024.

In addition to our operating projects, we currently have six RNG projects in construction, representing an additional 3.3 million MMBtu of annual design capacity. Combined, our portfolio of projects in construction and in operations now has a total of 10.3 million MMBtu annual design capacity.

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Sapphire, which is one of our 50-50 joint venture projects with GFL, is on track to begin operations in the third quarter of this year. Our share of annual design capacity at Sapphire is 0.8 million MMBtu.

Our Polk County, Florida project, where we own 100%, remains on track to begin operations in the fourth quarter of this year. Polk County represents 1.1 million MMBtu of annual design capacity.

Atlantic, our first RNG joint venture with South Jersey Industries, which we put into construction in the third quarter of 2023, is progressing, and we continue to expect it to begin commercial operations in mid-2025. OPAL's share of annual design capacity at Atlantic is 0.3 million MMBtu.

As Adam mentioned, we feel confident that we will meet or exceed our 2.0 million annual MMBtu target for new RNG projects entering construction this year.

I also want to add a word on development and our pipeline of opportunities. We remain encouraged by our deepening industry relationships and partnerships and continue to see a robust opportunity set of attractive landfill RNG development projects. We also continue to explore opportunities to capture and convert biogas from other feedstocks as a natural extension of our core business.

With that, I'll turn it over to Scott to discuss the quarter's financial performance. Scott?

Scott Contino

Thank you, John, and good morning to all the participants on today's call.

Last night, we filed our earnings press release, which detailed our quarterly results for the quarter ending March 31, 2024. Our 10-Q will be filed later today.

Revenue in the first quarter was $65 million as compared to $43 million in the first quarter of 2023. The main driver for the increase in revenues was the timing and pricing of environmental credit sales, including both RNG Fuel and Fuel Station Services, where we dispense all of the RNG for our projects, as well as for our joint venture projects and other third-party RNG supplies.

Net income for the first quarter was approximately $0.7 million as compared to a $7.3 million net loss in the first quarter of 2023. The difference was primarily driven by the increase in revenues from the timing of environmental credit sales, but also recognition of the Emerald RNG project coming online and accounted for in equity method investments.

Adjusted EBITDA was $15.2 million in the first quarter compared to a negative $1.6 million in the first quarter of 2023, which, as mentioned, was driven by the timing of management's decision to hold back RIN sales in the first half of 2023, and production from the Emerald RNG project during Q1 2024.

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A reconciliation to GAAP results is provided in our earnings release from yesterday and in our investor presentation updated this morning on our website.

The RNG Fuel segment revenues were $17.7 million for the first quarter as compared to $6.7 million in the first quarter of 2023. The increase in revenues was primarily due to higher RIN sales and production growth.

The Fuel Station Services segment revenues were $37.1 million for the first quarter as compared to $20.8 million in the first quarter of 2023. The increase in revenues demonstrates the power of our vertically integrated business model and was primarily the result of higher utilization of our dispensing capacity, new OPAL-owned fueling stations coming online, and third-party construction revenues.

Renewable Power revenues were $10.1 million for the quarter compared to $15.4 million in the first quarter of 2023. This decrease is primarily due to Emerald RNG, which is using gas that was previously available for a renewable power facility.

In the first quarter, capital expenditures were approximately $37.7 million, which includes approximately $10.9 million relating to equity method investments and approximately $3.8 million associated with downstream stations. We continue to expect our capital expenditures to be in line with our 2024 full year guidance.

Our senior secured credit facility provides up to $450 million of term loans over an 18-month draw period and $50 million of revolving credit. As of March 31, 2024, approximately $187 million was drawn down on the facility, and we have utilized approximately $14 million of our revolver availability to issue letters of credit.

As of March 31, 2024, liquidity was approximately $334 million, consisting of $300 million of availability under the credit facility and $34 million of cash, cash equivalents, and short-term investments. As a result, we feel our liquidity and capital resources and access to other sources of capital are sufficient for our growth plans.

With that, I'll turn it back to John for concluding remarks.

Jonathan Maurer

In closing, we are pleased with the continuing success in the execution of our business plan and we expect to see a nice progression of production and earnings growth throughout the year. As noted previously, we continue to be cautiously optimistic about clarification of ITC rules for our landfill gas-to-RNG projects. We remain committed to furthering OPAL's vertically integrated mission to build and operate best-in-class biogas capture and conversion projects that deliver industry-leading, reliable, and cost-effective low-carbon intensity energy products that displace fossil fuels and mitigate climate change.

With that, I'll turn the call over to the operator for Q&A. Thank you all for your interest in OPAL Fuels.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question will be coming from Derrick Whitfield of Stifel. Your line is open.

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Derrick Whitfield

Good morning, all, and thanks for your time.

Jonathan Maurer

Good morning, Derrick.

Derrick Whitfield

I'd like to start with your adjusted EBITDA guidance for the year. Is it safe to assume you remain comfortable with the 2024 guidance based on your line of sight to production growth and your decision to sell forward RINs, which, in combination, derisks the revenue line item?

Scott Contino

Derrick, thanks very much for your question. Yes, OPAL Fuels continues on track to meet its guidance. We forecast a progression of increasing output and EBITDA as Prince William ramps up. Prince William is really going to be kind of the major contributor during the course of the year, while Polk and Sapphire will come on in the fourth and third quarters, respectively, contributing towards the end of the year. It's really the ramp-up of Prince William.

As we said, we put our paperwork into the EPA for the project to produce RINs. And we expect that we'll be dispensing from that project at the end of the second quarter and it'll really be contributing starting in the third quarter and through the fourth quarter. So that's really the progression that we see here.

As you alluded and we said before, we've sold a majority of the RINs that we expect to produce this coming year, and we believe that that significantly derisks our EBITDA and cash flows for the year. And as I alluded, our construction projects will start to contribute towards the end of the year, and so we'll see a little more bump right at the end of the year.

So, we feel really good about where we are on track for our EBITDA, our RNG production, our projects into construction. We announced, obviously, the Cottonwood project. And we think that we'll have a progression of announcements over the next several months that will continue that positive progression as we move towards that guidance.

And our CapEx will also hit our guidance that we're looking for. CapEx, obviously, is related to our projects in construction. The projects in construction continue on time and on budget. And that while billings may be a little bit slower at the front-end of a project, they accelerate as you get towards the completion. So a long answer to your question. The short answer is yes.

Derrick Whitfield

No, that's great. And just to clarify one point on the sell forward of your RIN exposure. Are you guys doing that out of an abundance of caution? Or are you concerned that the EPA could affect the CWC to address the likely shortfall in RIN generation?

Adam Comora

Hey, good morning, Derrick. Adam Comora here. No, I don't think we're going to see a cellulosic waiver credit in 2024. And we think that this -- we just feel like it is a way for us to derisk and get better visibility over our EBITDA and cash flows for the year. I want to be careful, because we are active in the market on our price forecast and that sort of thing. But we have sold forward a majority of our production.

Derrick Whitfield

Makes complete sense. And John, for my follow-up perhaps for you, with respect to your pipeline of projects -- I know you guys have moved away from disclosing the ADP, but maybe could you offer some color on the depth of opportunities you're seeing in the market today, similar to the Cottonwood project you guys just announced?

Jonathan Maurer

Yeah, sure. We see really great relationships and partnerships with all of our landfill partners, and they're continuing to deepen. I think that particularly a good example is our growing relationship with GFL at our Emerald and Sapphire projects. GFL is particularly forward-thinking and collaborative, and we see a growing relationship there. But there's growing opportunities set across all of our relationships. We consider relationships to be one of our highest values. And it's really paying off by coming together with additional projects.

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In addition, our execution on our projects, where -- when we complete construction and bring a project online that confidence that the project's going to work when we turn it on and ramp up over a reasonably projected timeframe really gives us great confidence in what we're putting together. So, as more and more opportunities come through, we see that continued progression in our development pipeline.

Operator

Thanks. That's great color.

Operator

And one moment for our next question. And our next question will be coming from Matthew Blair of TPH. Your line is open.

Matthew Blair

Thank you, and good morning. You have some big projects coming online later this year with Sapphire and Polk. Could you talk about what you've learned from previous startups that you can apply to make sure these projects are successful and start up on time?

Jonathan Maurer

Sure. Hi, Matthew. Thank you for your question. Now that we have our ninth project entering operations, we really take lessons from each project that we put into construction and then into operation, and it really contributes to each of the next ones. The basic design that we use is a proven design and one that we've utilized from our start with the Pine Bend and Noble Road projects straight through to the projects that we're putting into construction today. While the size may differ, the basic design is the same.

And so, each time our team of project managers gets more experience, we take the lessons learned from each project and apply it to the next set of projects, which gives us greater and greater confidence in terms of those projects coming online and working as projected. While -- we try to stay away from technologies that are not proven, and having this really solid design is something that gives -- again, I'm just repeating myself -- gives us that confidence, Matthew.

Matthew Blair

Sounds good. And then one thing that investors ask about is your build multiples on your upcoming projects. Are you willing to share the cost per project for some of these upcoming startups? I think at one point you had listed Prince William at $53 million. Is that still a good number? And then, are you willing to share the cost for Sapphire, Polk and Cottonwood? Thank you.

Adam Comora

Yeahs. This is Adam Comora here. We're not going to get into specific cap costs per project. What I would tell you is, obviously over the last several years, there has been some cost inflation that we think is not unique to OPAL Fuels. And despite that cost inflation over the last couple of years, we're still finding very attractive return on capital projects.

And I can tell you we're extraordinarily capital disciplined here at OPAL Fuels. It's in all of our DNA. And we still are finding attractive unlevered IRR return projects. And what I would say is build multiples are lower for larger projects. And if you do move down the curve of smaller projects, the build multiples do lengthen out a little bit. But we are still finding really attractive return on capital projects.

Matthew Blair

Great. Thank you.

Operator

One moment for our next question. And our next question will be coming from Martin Malloy of Johnson Rice & Company. Your line is open.

Martin Malloy

Good morning. Thank you for taking my question. First question, I just wanted to ask on -- relative to Slide 18, any update in terms of customer adoption or testing of the 15-liter engine?

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Adam Comora

Yeah. This is Adam Comora here again. Thanks for the question, [Matt] (ph). The testing has gone very well for fleets. And we think it's a really attractive product financially for these fleets, where they can see really attractive returns on capital to deploy them even if they were just running on CNG regardless of the sustainability advantages from running on RNG. So, no change to our outlook there. I know I'm going to be asked at some point on regulatory policy and that sort of thing, which -- we think this is a very attractive product for fleets to adopt. And I know another -- a lot of folks have already reported and spoken about what the ramp could be for this product in the market. And we sort of see it the same way. And we think there's a really large potential for it.

Now, in our guidance and for -- our guidance for the year, we've never baked in a fast adoption curve here in '24 because the trucks really won't start showing up until '25. But nothing has changed in terms of sort of the feedback we've gotten and the interest levels that we're seeing, especially given where some of the electrification or hydrogen fuel cell sort of challenges are still there for this Class 8 heavy-duty fleet. And I think it's starting to really prove out and folks are starting to recognize that this is a really good answer for heavy-duty trucking. And so, I'll just leave it there. It's sort of no change to what we were thinking last time we spoke about it.

Martin Malloy

Okay. And then for my follow-up question, I just wanted to ask -- and it is relative to Slide 19 -- if you could talk maybe about the non-transportation demand and if you're seeing any interest from data center operators in terms of using RNG as a fuel for power?

Adam Comora

Yeah. So, this is Adam Comora again. We are seeing increasing interest for the use of RNG in a variety of markets, whether it be SAF, whether it be hydrogen production, whether it be used for data centers. And look, I think everybody recognizes that there is more demand for RNG than likely supply. And a lot of these different markets are looking to it to decarbonize. And that sort of demand-supply imbalance naturally leads to prices going up in the other sorts of markets.

Now, we are still of the belief that the highest best value is in transportation fuel. We haven't seen yet where it makes sense for us to sell into those other voluntary markets. And we understand sort of the trade-offs there between voluntary markets and the renewable fuel standard. And -- but that being said, we think sort of -- at some point that may change and we may start to see those prices move up to those levels that make sense. And so, we're keeping an eye on all those other markets. They continue to evolve and develop. And I'll leave it there. I know there's a lot of interest in SAF and hydrogen production from RNG, and we'll see how that evolves.

Martin Malloy

Great. Thank you. I'll turn it back.

Operator

Thank you. And our next question will be coming from Ryan Pfingst of B. Riley. Your line is open.

Ryan Pfingst

Hey, good morning guys, and thanks for taking my questions. How are you guys thinking about M&A today? And maybe what do you see in the private market and how those valuations might compare to those of publicly traded companies?

Jonathan Maurer

Hey, good morning, Ryan. John again. So obviously, there's a number of marks in the private market that gives us -- continues to give us good confidence in the value of OPAL Fuels and our vertically integrated business model. Private market transactions such as we talked about before, the Enbridge-Morrow really setting a mark as to where those valuations lie. And we believe that there is a continuing desire on the part of market participants for gaining scale and that the industry is ripe for consolidation. Scale is certainly important here. In addition to just the landfill opportunities, there's opportunities in adjacent markets as well that are very close to what we're doing. Whether it's us acquiring somebody or somebody else acquiring us, we continue to see that there's good opportunities and valuations in the market.

That being said, we really continue to believe our organic growth model on vertical integration continues to be our core growth model and where we're going to be focusing. As we said earlier that we see a great set of opportunities on the development side with growing relationships and there's a great amount of growth right in front of our noses just on executing the opportunities we have in front of us.

Ryan Pfingst

Got it. It makes sense. Thanks for that color. And then maybe related, could you provide us with any updated thoughts on how you guys are thinking about potentially solving for OPAL's low float and maybe if M&A might be an avenue that you take there?

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Adam Comora

Yeah -- no, I think that's exactly right. And look, we -- this is Adam here. We have tried to take some steps to address liquidity, trading in the stock and that sort of thing. And we recently -- or our majority control shareholder recently converted some super voting shares down into a new class share of Class B. And we think that puts us in a position to be considered for indices inclusion and that sort of thing. And maybe that potentially helps out trading liquidity in the stock as it pertains to float. I think M&A is an interesting avenue there. And we take a look at a lot of things. And as John had mentioned, scale potentially makes sense. And M&A transactions could potentially make sense.

And as our Chairman likes to say, we like to find opportunities where 1 plus 1 equals 3. Or he actually likes to say 1 plus 1 equals 5. So, if we can find some opportunities where that makes sense, that certainly is a good way to increase our float. And so -- but look, those kinds of things in terms of liquidity in the stock, they don't really drive the decisions here at OPAL Fuels. We're really trying to maximize shareholder value in the long term. And we believe we're doing that by building a really powerful business and something that's going to generate a lot of free cash flow.

Ryan Pfingst

Makes sense. Thanks for that detail. I'll turn it back.

Operator

And one moment for our next question. Next question will be coming from Paul Cheng of Scotiabank. Your line is open. Paul, your line is open.

Paul Cheng

I'm sorry. You come off earlier, so I couldn't hear my name. Hey, guys. Good morning.

Jonathan Maurer

Good morning, Paul.

Paul Cheng

I think this is for Scott. I have to apologize that it's really a little bit of the detail modeling. In the Prince William, because before you get the certification, I assume that the gas is being stored in the storage. So when you report in the second quarter the RNG volume for sales -- or what's produced, will the production actually show up there? Or that you will essentially not showing it, and then we have a big jump in the third quarter?

Jonathan Maurer

Okay. Paul, this is John. I'll go through it just in a little bit of detail, and then I'll talk more in general. But in essence, when we produce gas at our projects in a given month, we'll dispense that gas, essentially matching the gas production with our dispensing capacity on the downstream side to create those RIN credits. Those RIN credits will be available for sale after minting the following month. So production in April will be minted in May, and those credits available for sale in the May period.

With respect to new projects, and especially with the new BRRR rules, we expect that our Prince William project will be grandfathered under the prior rules that, yes, the gas will be stored. And that when we get that approval for Q RINs, which will take anywhere from a couple weeks to six or so weeks depending on the EPA's bandwidth, that we'll then be able to dispense that gas. So, if we dispense Prince William gas in June, that gas will show up as minted credits in July when we'll be able to sell them. As new projects come online, like Sapphire in the third quarter and Polk in the fourth, that -- yeah, the new rules will likely cause us to lose the first month's or partial month's worth of production based on how they're qualifying projects. But the basic timing is the same. I don't know, Adam...

Adam Comora

Yeah. I just want to clarify one thing that John said there. So you will see all the production produced at Prince William, Polk and Sapphire in the months that they produce. As John was saying, for Prince William, it will -- it has been -- our EPA certification is in. So, we will get the RIN value on all of that gas produced in -- once we do get the final certification there. For Polk and Sapphire, we will have the production of that gas for the first, whatever it is, two, four, six weeks. We'll just get the brown value of that fossil gas. So all of that gas is included in our production guidance. It's just a question of how long for those next couple of projects will we just get the brown value versus getting the RIN certification of it. Does that make sense?

Paul Cheng

Yes, absolutely. Thank you. And Adam or John, do you have a cadence of Prince William ramp-up going to look like for the remaining of the year?

Jonathan Maurer

I'm sorry, I didn't get the...

Adam Comora

Prince William ramp-up?

Jonathan Maurer

Yeah. So look, project design, a great project design, proven. We think that the ramp-up will be very good. The commissioning went very smoothly. And you kind of see the ramp-up in real time. But because of the proven design, we really expect that the lessons learned from prior projects will be applied to this one, and we should see a good progression.

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Adam, did you want to add to that?

Adam Comora

Yeah. No, the only thing I would say there, too, is -- and I'm not sure if we'll get questions on it in terms of capacity utilization and that sort of thing, but just keep in mind that we do build these facilities to where we expect them to mature and grow into. When you look at our inlet gas capacity -- so we do expect these facilities to grow over time and we do see good growth on a same-store-sales basis. But everything looks good at Prince William so far.

Jonathan Maurer

Yes. Large, open, growing landfills. The project is built to take advantage of that growth. And a proven design. All of which really contribute to that growth.

Adam Comora

Which really what -- it really speaks to why we're confident in terms of reiterating our guidance and that sort of thing is Prince William was the chunkiest piece of production growth this year. And it was good that we completed that and are injecting gas into the pipeline.

Paul Cheng

So do you assume Prince William will get to about 80% plus by the end of the year?

Adam Comora

We're not going to get into specifics on any one facility. Paul, what we do is we try and give -- because we do have a portfolio of projects, where we expect our overall inlet capacity utilization and utilization of inlet gas. We try and give a more portfolio-level guidance versus just individual facilities.

Paul Cheng

Okay. Will do. Thank you.

Operator

And one moment for our next question. Our next question will be coming from Alex Kania of Marathon Capital. Your line is open.

Alex Kania

Hey, good morning. So two questions, hopefully. So the first one is just, you expressed some cautious optimism on getting ITC clarity. I'm just wondering if you think that there's a timetable associated with that in the coming months or quarters or whatnot.

And the second one is just with respect to the RIN forward sales. Was that limited to just 2024? Or do you have any -- were you able to sell forward any kind of future exposure into '25 and beyond?

Adam Comora

Okay. Thank you for the question. And I'm going to answer the second one first, because that's quick. There is a 2025 market starting to develop, but it's very thin. And we have not transacted yet on '25. I don't know if that'll show up until later in the year.

And before I get into the specifics on the ITC, I want to talk a little more broadly on our regulatory outlook, because we do get a lot of questions on a potential Republican administration. And what I want to say is a couple of things on that.

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First, I want to remind everybody the problem that we solve, which is fugitive methane emissions from waste-in-place, whether it's from landfills or manure or wastewater or food waste. And that molecule waste-in-place issue is starting to get a lot more attention. And OPAL has a view that really what we should be doing is a better best strategy around that. The wrong answer is to do nothing. And rather than doing nothing, you can also capture these fugitive methane emissions at their source and flare them, which also is not a great answer. And we really believe that what we should be doing is this better best policy, which is converting them into either renewable power or RNG.

And I also want to say we don't need any new policies or regulations to execute on our growth plans. And what we're really talking about here is what we can do to accelerate our business, which is more biomethane capture for productive use, which is really what the vast majority of Americans want to fight climate change and also public policymakers.

And where it sort of breaks down -- and I'm getting to the ITC specifically in a minute. But where it breaks down at times is you get into a debate between molecules versus electrons, and it shows up all over our business, where you have some very progressive climate folks that really want to electrify everything and feel like all molecules are bad. And you see that play out as people are contemplating what to do about heavy-duty fleets, whether you electrify everything. And don't really embrace any molecules and really aren't acknowledging that we have a molecule-in-place issue from all this waste that these fugitive methane sort of emissions come from.

And then we've got folks on perhaps the Republican side, which, by the way, are in favor of all sorts -- or we believe maybe will remove some of the blockages on molecule solutions. And it shows up when people are talking about how to use RNG in either hydrogen production or SAF production, or what to do about heavy-duty trucking. And we really believe there's an opportunity here to sort of get this -- get both sides of the aisle to really embrace this better best strategy.

And as it pertains to the ITC, there was an initial fix done where biogas property would be included. There's a couple of mechanical things that I think industry has been asking for, specifically on landfills, on common ownership, because we -- landfill owners typically own the collection system. And all the capital that's being invested -- or the vast majority of time capital being invested is not -- does not own the collection system. And we're still optimistic that that could potentially be fixed. And early summer is when we've been told we're going to hear on it. If that common ownership doesn't get fixed, there may be ways to structure around it. So, we're still cautiously optimistic that we will be able to utilize or qualify for those tax credits, but it's not totally done yet.

And when we think about what we were talking about before, ways to turn this into a bipartisan issue and really accelerate sort of what we're doing in this fight against climate change, you can see it playing out in a number of different ways, where, if Biden wins the election, chances are you get some of those more positive public policies, whether it be eRINs or something else. And if there is a Republican administration, maybe we get more, what I would say, practical solutions around heavy-duty trucking, and maybe that has positive implications for the Cummins 15-liter engine, or more practical solutions on how to use RNG for renewable hydrogen. And perhaps more embraced for making sure that we don't have issues that show up into the ITC. And we think there's a real opportunity there.

And it's just really interesting that when we talk to folks on the Democratic side, we're trying to explain to them that we have a molecule-in-place issue and we need things like the ITC and biogas conditioning and property. And by the way, even if we wanted to create renewable electricity from it, it makes more sense to take that RNG and bring it over to an efficient combined cycle plant. And by the way, RNG is the best answer for environmental justice. It does the most to improve local air qualities and that sort of thing. And typically, Republican -- it typically shows up in Republican kind of sectors, whether it be ag, or all the countless municipalities out there. And from the electron side of things, we think there's a lot of Republicans that can get on board for more renewable power, capture and production from this biomethane. It's good base load power. It enhances grid stability. It's energy security, and it usually shows up in more rural economies.

So, I know you specifically asked about the ITC, but I just wanted to explain a little bit more because we do get a lot of questions on a Trump administration. And I'd remind everybody, we don't need any of these policies to execute on our business plan and really grow in ways that we've been talking about. We just think there's a real opportunity here to accelerate what we're doing and, quite frankly, accelerate our fight against climate change.

Alex Kania

Great. Thanks so much for that answer

Operator

One moment for our next question. Our next question will be coming from Adam Bubes of Goldman Sachs. Your line is open. Adam, your line is open.

Adam Bubes

Hi. Thanks for taking my question. In Fuel Station Services, just wondering how many incremental owned and third-party stations you expect to complete in 2024 to hit the 75% to 90% EBITDA growth outlook? And how you're thinking about the cadence of fuel station builds throughout the year?

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Adam Comora

Adam, we do not typically give quarterly guidance in terms of -- to that level of granularity. We can get back to you in terms of sort of number of stations that'll come online. I think the first quarter this year had seven incremental OPAL Fuels-owned stations versus last year. And I would say OPAL Fuels Station Services' revenue and EBITDA growth comes from four different places, right? It's better utilization of our dispensing network. So, we believe we're going to have more sort of environmental credit revenue flowing through those sites.

It also comes from improving margins in the construction business, where last year we were still cycling through some inflation issues. It does come from higher volumes, from new stations being commissioned, and also as you annualize last year's stations where you had partial years. And we still have growing volumes in the service side of the business. So, it really comes from all four of those things. And as you look further out, that's where also we're -- we get excited about the growth of that potential 15-liter Cummins engine as we move through '25 and '26. But this year, the '24 growth revenue and EBITDA growth really comes from the four pieces I was talking about.

Adam Bubes

Got it. Thanks a lot. And then any update on the two dairy projects? If there's been any resolution with the EPC contractors? And then, broadly, just can you update us on how you're thinking strategically about opportunities for dairy investments down the road?

Jonathan Maurer

Sure. This is John. I'll give you an update. On our California dairy projects, there really is no update. Just as a reminder, there is a dispute with the EPC construction contractor regarding some change orders. The contractor is obligated under the EPC contract to continue working while the dispute is resolved. We're proceeding with arbitration, which is continuing in due course. And the construction contractor's obligations are supported by a surety bond. So it's in process.

As we think about growth, let's just reiterate that landfill RNG is a terrific opportunity, and there's a lot of space for growth in there. So, as we think about our organic growth and the core growth that we're going to be experiencing, that's really going to come from our deepening relationships and joint ventures with our partners in the landfill sector. However, we continue to explore other areas outside of the landfill. So the landfill will be the core of our growth, but there's numerous biomethane opportunities adjacent to the landfill sector.

And in addition to dairy, we see opportunities in other agricultural waste, wastewater itself, food waste and other D3 and D5 gas streams. So, we continue to explore opportunities of expanding. We believe that there is a really large opportunity set outside of landfill and dairy, and we think that over the course of the coming year, we'll be able to recognize some entree into those areas as we start growing beyond the landfill area.

Adam Bubes

And then, last one for me, congrats on placing the Cottonwood Project into construction. Just wondering if you can tell us more about that partnership in terms of royalty, CapEx, any further details would be great.

Adam Comora

Yeah, no. Thanks, Adam. This is Adam here. Royalties in line with our historical averages. The CapEx in line with our most recent experience of the last, I don't know, three, four projects, or two or three projects that we put into construction. And we had already previously 8-K'd that. So, you can see who the landfill partner is, where we still have a couple more gas rights there that we had one in an RFP, and look to continue to deepen that relationship.

And it's actually also a really testament to the experience of the team here at OPAL Fuels, where that was a little bit of a development challenge to solve a pipeline issue there, which we were really happy that we were able to do. And I think it's when OPAL executes on those types of projects that we gain confidence with our various partners out there. And we see it being completed in a typical timeframe and excited about that one and excited about what else we're finding out there for the balance of the year of new projects.

Adam Bubes

Great. Congrats to the team. Thank you.

Operator

One moment for our next question. Our next question will come from Jimmy Larkin of Piper Sandler. Your line is open.

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Jimmy Larkin

Hi, good morning. Thanks for taking my question. I guess just on the dispensing side, could you maybe talk about what your CI mix is currently and kind of where you expect it to go in the future? And I guess how that might impact how you place your landfill gallons going forward?

Adam Comora

Yeah, no, I appreciate the question. So it's a two-part question. The vast majority of OPAL Fuels' production is landfill gas, and that can be anywhere from sort of 40 to mid-50s or 45 to 60 for a CI score. And we do just -- and we also obviously have our Sunoma project, which is significantly negative CI. Is that negative 238, somewhere in that range? 283?

Jonathan Maurer

330.

Adam Comora

Excuse me. 330. And we also, though, do dispense third-party gas specifically at our California sites. We have a very large dispensing network in California, and we do partner with third-party dairy suppliers to dispense their significantly negative CI through that portfolio of dispensing stations. So, I don't have the exact math, if you blend the two, between what we're dispensing outside of California and what we're dispensing inside of California, but we actually do think there's a good opportunity for us to continue to add low-CI supplies through our California dispensing network.

Jonathan Maurer

And through that, we participate in the LCFS market, really, through that broad participation in the low-CI third-party gas.

Adam Comora

And by the way, that shows up in our Fuel Station Service segment in our environmental credit revenues piece, whereas we continue to place more dairy gas, either from OPAL or other third-party suppliers through our California dispensing network. You'll see growth in that revenue segment for that business unit.

Jimmy Larkin

Got it. Thank you. I guess just one more. In the presentation deck, you mentioned eRINs a few times. Is there any updates, maybe on the potential for eRINs going back or have you guys heard anything on that front?

Adam Comora

Yeah. So, this is Adam again here. And as I was chatting about before, we are -- at some point, we believe eRINs will get included into the RFS, and the question is when. And we have the belief that we may be able to get bipartisan support for it, where it's pretty clear that the Biden administration has been really supportive of inserting it into the program. And we think it makes a lot of sense for a lot of the Republican constituents out there as well. And there's a variety of reasons for that, where if you look at the areas or sectors of the economy that benefit from it, a lot of them are in Republican kind of areas. And we don't believe it's a zero-sum game with corn or soy or other agricultural liquid biofuels. It really doesn't have any impact on the markets that they participate in for the RINs that they potentially produce.

And we'll see how effective we'll be in our education and advocacy around it for how quickly it can be adopted. I would say it is impactful for us, not only on our existing portfolio, but quite frankly, on a lot of development opportunities. And we think it's the right public policy. So I can't give you an exact timeframe when, but we think there's an opportunity to maybe talk about it this summer with EPA and see if we can get Republicans on board so it wouldn't necessarily be repealed. And if Biden happens to win, then it would obviously remain in place.

And that's where I was sort of talking about before where we -- just like that particular issue, eRINs isn't zero-sum for corn and soy, we don't think the political outlook is zero-sum for OPAL Fuels because there are certain areas where Republican administration maybe is more forward or on the molecule side of things. So anyway, it's something that we're still focused on and we'll see how quickly they get adopted.

Jimmy Larkin

Great. Thanks for answering my questions. I'll turn it back.

Operator

Thank you. And our last question will be coming from Paul Cheng of Scotiabank. Your line is open.

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Paul Cheng

Thank you. Hey, gentlemen, a real quick one. The utilization of inlet gas is 81%, dropped 5% from the year-ago level. Is there any particular reason contributing to that? Thank you.

Adam Comora

Yeah. Paul, I was waiting for that one. And what I want to first just say is I wouldn't get too hung up on either metric, the inlet capacity utilization or the utilization of inlet gas in any one particular quarter, because we are a fast-growing company and we do have larger facilities that are coming online. If you look at those two metrics year-over-year, our inlet capacity utilization went from 75% to 80%. And that's when we're always talking about same-store sales growth and areas where -- that's the amount of gas that's coming into our facilities, and that comes from improvements of collection systems and that sort of thing.

And the metric you were asking about is then the utilization or the efficiency of turning that raw biogas into final product. And that's where it went from 86% down to 81% year-over-year. But if you look at it sequentially quarter-over-quarter, the fourth quarter inlet -- or the utilization of inlet gas went from 79% up to 81%. And really what you're seeing here is the ramp of Emerald. And we expect those trends to continue throughout the year.

And that being said, as I was talking earlier about Prince William now in operations, you may see when a big facility comes online, your inlet capacity utilization drop or have an impact from one of those larger facilities as it ramps up. So specifically, in the quarter, we did see it tick up slightly from 79% up to 81%. But year-over-year, 86% down to 81%, was really that Emerald facility being in this year's metric versus not in the last years. And not outside of our expectations, by the way, which is why we also talk about this range of 80% to 90% on both of those factors which can be skewed, as I was saying, as new facilities come online. And we feel like Emerald's ramping well.

And I want to say it's also -- we used to get asked a lot of questions about this partnership model or JV model, or why do you partner with landfills and these types of projects, because GFL, who's been a great partner of ours was one of the forward thinkers -- one of the first movers or forward thinkers to invest capital alongside of us in these types of projects. And I have to say working with GFL specifically on that project, it's really a testament to that partnership model where we're fully aligned to continue to ramp and maximize the quality and the quantity of the gas that's coming into that facility. And if we went back five or six years ago, it was really tough to get the attention of landfills to focus on those types of improvements and that sort of thing.

So, the short answer is, you can't just look at it year-over-year on those types of metrics because you have new facilities that are coming in and ramping. But you have to look at those things in conjunction with what else is happening in the portfolio.

Paul Cheng

Very good. Thank you.

Operator

And I'm showing no further questions at this time. I would now like to turn the call back to management for closing remarks.

Adam Comora

All right. This is Adam Comora. Thank you very much for joining us on our first quarter call, and I hope everybody has a great day.

Operator

This concludes today's conference. Thank you for participating. You may now disconnect.

**Load-Date:** May 11, 2024

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