October 16, 2014

Sent via email to:
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California Air Resources Board
1001 I Street
P.O. Box 2815
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Subject: Workshop Comments: Low-Carbon Intensity Fuels Availability

Dear Members of the California Air Resources Board:

Thank you for the opportunity to provide feedback regarding the Air Resource Board's September 25, 2014 Workshop (Workshop) and submit comments regarding Staff's presentation on Low Carbon Intensity Fuels Availability.

The Coalition for Renewable Natural Gas is the non-profit organization representing the renewable natural gas industry ('RNG', biomethane, or upgraded/pipeline quality biogas). Our members include leading companies that operate at each stage of the RNG supply chain, from production source to final end-use.

We understand that the information presented at the Workshop was intended to be both preliminary and illustrative, as it relates to the availability of *some* low-carbon intensity fuels in California in 2014 and through 2020. Nonetheless, we would like to provide brief comments regarding the information presented, and respond to the RNG-related question asked by Staff at the conclusion of the Workshop presentation.

Staff should include CNG and LNG in all future discussions of Low-Carbon Intensity Fuels.

There is a direct nexus between renewable natural gas deployment opportunities and compressed and liquefied natural gas availability, especially in the context transportation fuels. RNG can be blended with, or directly substitute for, natural gas.

The development of RNG transportation fuel projects will be largely contingent on the availability of natural gas infrastructure, including pipeline systems, fueling stations, volumes of CNG/LNG fuel and the number of LNG and CNG vehicles on the road.

Pending only the final allocation of costs, the California Public Utilities Commission (CPUC) has otherwise established regulation that will soon enable RNG from in-State projects to be transported intra-State via California's existing natural gas common carrier pipelines.

As such, the majority of RNG consumption will likely come from RNG blended with natural gas to create a renewable- Compressed Natural Gas (R-CNG) or Liquefied Natural Gas (R-LNG) for natural gas vehicles.

Natural gas is generating a measureable share of California's LCFS Credits.[1] Even as Staff acknowledges this, we are nevertheless concerned that projections for CNG and LNG were not included in the presentation. Staff acknowledged at the Workshop that CNG and LNG were only excluded because they were trying to condense the amount of information presented on each slide. While we can appreciate Staff's administrative concern, we would underscore the import and potential implications that could result from information presented or excluded by ARB Staff, intentionally or unintentionally.

Respectfully, we request that as Staff include CNG and LNG in all future presentations and reports concerning Low Carbon Intensity Fuels made available to the general public and to the Board.

We Affirm Staff Statements Regarding RNG Growth and Potential.

The workshop presentation states that 1) the majority of the RNG supply will come from out of State, and 2) that the CPUC is working on a pipeline injection standard for RNG in California.[2] Both of these statements are generally correct, but warrant further explanation.

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[1] 9/25 Workshop. Slide 3.

[2] 9/25 Workshop. Slide 36.

The first statement is true in the near term due to historic restrictions on RNG pipeline transportation. Of the 43+ high BTU renewable natural gas-to-energy projects that exist in the United States, there is only one project operating in California. This project is located at the Point Loma Wastewater Treatment Plant in San Diego, CA. Because the project is not at a landfill, and therefore was not subject to the Hayden Amendment restrictions, it has transported its biomethane via the natural gas pipelines. California's RNG resources were not developed to their highest and best potential due largely to statutory and regulatory pipeline injection restrictions. As such, California has historically imported its biomethane from outside the State. We expect the majority of the RNG supply to come from out of State over the next few years while the in-state resources are being developed.

The second statement is also true. Since AB 1900 was signed into law in September of 2012, the CPUC, ARB, Office of Environmental Health Hazard Assessment (OEHHA) and Energy Commission (CEC) have diligently worked to complete pipeline injection standards for RNG from landfill-based feed stocks. In January 2013, the CPUC issued a final ruling regarding the new human health, safety and pipeline and pipeline facility safety and integrity standards. We are currently awaiting the CPUC's proposed ruling in the final cost phase of the proceeding – an important decision that will assign responsibility and obligation to stakeholders for the various compliance costs associated the new regulations. Ultimately, this ruling will determine how many, if any, RNG projects are actually developed in California going forward.

RNG will come to California if current state policies support RNG development and deployment.

Staff's presentation during the September 25 Workshop paired the following statement and question: "Renewable natural gas production is increasing and moving toward transportation use (nationwide). These fuels *can* come to California. *Will* these fuels come to California?" [3]

There are two primary factors that will determine whether RNG projects are developed in California and whether an increased supply of RNG can be expected in, and or will be brought to, the State.

First, if cost allocation is fairly and appropriately distributed by the CPUC in the current AB 1900 proceeding, then we expect that as many as 30 RNG projects could be developed within the next 10 years. This would nearly double the number of High BTU RNG projects in operation nationwide. If cost allocation is not fairly and appropriately distributed by the CPUC, then California's supply of RNG will likely continue to depend upon the production of out-of-State facilities in order to meet the 2020 goals of the LCFS.

[3] 9/25 Workshop. Slide 41.

Second, the credibility, stability and predictability of the LCFS Program and credit market, in the near term and beyond 2020, will play a critical role in whether RNG is developed for the California transportation fuels market.

Due to the pending CPUC ruling it is difficult to project the volumes of RNG to be produced *in* California that will be available as transportation fuel. However, it is somewhat easier to quantify the volume of RNG produced out-of-State that is available *to* California.

For purposes of informing the RFS2's 2014 Renewable Volume Obligation (RVO), **RNG Coalition members reported to US EPA that they will produce and distribute 167 – 176 million ethanol gallon equivalent of RNG as transportation fuel in 2014.** To date, US EPA has confirmed registering more than 130 million EGE of RNG dedicated by our members to transportation fuel.

The public and private sectors are increasingly embracing CNG and LNG as a viable option to fuel their fleets. Additionally, end-users are increasingly embracing the opportunity to seamlessly integrate RNG into existing CNG and LNG streams and thereby realize increased environmental benefits. Finally, the Renewable Fuel Standard and California's LCFS makes it possible for our members to send their RNG to the transportation fuels market.

Accordingly, we expect the volume of RNG produced by our members dedicated to transportation fuel to increase considerably over the next several years. Although some of the RNG volume may be contracted for end-use in other states, the entire volume (and more) could theoretically be available *to* California through 2020 and beyond.

In response to ARB Staff questions we have distributed a survey to our members known to produce, or who will soon produce, RNG as a transportation fuel. We have asked them to verify whether they met their 2014 volumes, what they expect their 2015 volumes to be, and where they estimate their volumes will be in 2020. In this survey we have also asked them about the likelihood (and in what percentage) their RNG will be sent to California (or Oregon and Washington if they develop and implement their respective Clean Fuel Programs). As of the deadline for comments on this workshop, responses from many of our members are still pending. We look forward to sharing the results of this survey with ARB staff – hopefully within the next 30 days.

Conclusion

We share the ARB's goal of a stronger LCFS. We believe this goal is best achieved by an LCFS that is credible, stable and predictable. A strong LCFS is rooted in good data and takes note that changes, particularly those with significant market impacts, must be made based on compelling evidence and complete information.

We thank you for the opportunity to provide feedback on the September 25, 2014 Workshop on the Availability of Low-Carbon Intensity Fuels. We look forward to continued engagement with the Board and ARB Staff on these matters and appreciate your consideration of our comments, particularly in advance of Staff's Winter 2014 Report and the ARB's Board Hearing in early 2015.

Sincerely,

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