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November 26, 2014

Mary Nichols
Chairman
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814
VIA EMAIL TO mnichols@arb.ca.gov

Re: Southern California Gas Company Support for Low Carbon Fuel Standard Reauthorization and Request that Staff Report Publish Current Not Speculative Carbon Intensity Values

Dear Chairman Nichols:

The Low Carbon Fuel Standard (LCFS) is an important part of the Air Resources Board (ARB) program to achieve the greenhouse gas (GHG) reduction goals established by AB32. I understand that the LCFS is scheduled to come before the Board for reauthorization in February 2015 and will include a staff report, a draft of which is expected to be released for comment in mid-December. Southern California Gas Company (SoCalGas) supports LCFS reauthorization, but I am very concerned about the publication in the staff report of illustrative carbon intensity (CI) values for compressed natural gas, liquefied natural gas, and renewable natural gas produced from biomethane.

The calculations presented by staff at the August 2014 CA-GREET workshop dramatically increase the carbon intensities of both conventional and renewable natural gas, relying on older data regarding methane emissions from the natural gas supply chain. These proposed increases are going in the **opposite direction from already published studies** (e.g., EPA's *Inventory of U.S. Greenhouse Gas Emissions and Sinks*, released April 2014) and ignore the soon to be released methane leakage studies from the Environmental Defense Fund (EDF), the Gas Technology Institute (GTI), and ARB. Also, we have found problematic assumptions and calculation errors in the model. For example, the leakage assumption for renewable natural gas (RNG) from landfills ignores state law that prohibits the venting of methane emissions. The result is a misleading and inaccurate interim increase in the CI value for RNG.

We see great opportunity for this program to provide powerful incentives to the increased production of low carbon fuels for transportation, such as RNG produced from landfills, wastewater treatment plants, dairies, and other organic waste facilities. Building the transportation market for biogas will also assist ARB in addressing its challenge to reduce short-lived pollutants required under SB 605. We also see LCFS creating opportunities to further the use of natural gas as a transportation fuel, particularly in the heavy duty sector, where significant criteria pollutant and GHG reductions can be achieved.

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Publishing interim and speculative CI values will undermine these opportunities by creating uncertainty, which will stifle the development and deployment of clean fuels and new technologies; vehicle and fleet purchasing decisions will be affected by the publication of interim values; and the credibility of ARB may be put into question. ARB needs to be sensitive to the impact that its actions have on the market and refrain from publishing illustrative numbers, even with explanatory footnotes, based on incomplete information. The new CI values produced by CA-GREET 2.0 will not take effect until 2016. As such, we see no benefit and significant potential harm in publishing interim numbers based on incomplete and stale data.

To minimize market disruption from the LCFS reauthorization process, please direct staff to use the current carbon intensity (CI) values in any section of the staff report where CI values are used, including the illustrative compliance curves. Additionally, please direct staff to return to the Board with validated data and assumptions to update the CI values in the CA-GREET model by 3rd Quarter 2015. This timing will allow for a robust and transparent model update process.

Thank you for your attention to this important matter. I know you want accurate and objective data in the market that will further California's goals to reduce GHG.

Sincerely,



Dennis Arriola
President and Chief Executive Officer
Southern California Gas Company

Two Attachments: October 2014 letter to Corey and Chang; ICF Technical Report

cc: Bret Lane
George Minter
Richard Corey
Edie Chang
Katie Estabrook