To: California Air Resources Board
From: Peter Weisberg, Senior Portfolio Manager, The Climate Trust
Date: May 15th, 2017
Subject: Comments re: generating LCFS and CCO credits from dairy digester projects

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The Climate Trust finances projects based on their ability to generate and sell environmental credits.

The Climate Trust was founded in 1997 as a nonprofit organization to assist new fossil-fueled power plants comply with the Oregon Carbon Dioxide Standard—the nation's first legislation to curb emissions of carbon dioxide. Since that time, The Climate Trust has committed $31.7 million to greenhouse gas offset projects, including investing in thirteen different biogas projects throughout the United States. The Climate Trust has launched a new carbon fund currently investing, in part, in the construction of livestock digesters in return for partial ownership of the resulting environmental credits.

For projects that are planning to make both electricity and vehicle fuel, the flexibility to generate both Low Carbon Fuel Standard (LCFS) credits and California Carbon Offsets (CCOs) from Registry Offset Credits (ROCs) that are generated in the same reporting period is essential.

Two livestock digester projects The Climate Trust is interested in financing plan to generate both electricity (whose long-term Power Purchase Agreements help make projects financeable) and vehicle fuel (where biogas is potentially move valuable over the long-term). Without clarity from ARB that projects can generate both LCFS credits and CCOs from ROCs generated in the same reporting period, The Climate Trust will be unable to invest in the construction of new digester projects today.

The Climate Trust believes allowing projects to generate both LCFS credits and CCOs from ROCs issued in the same reporting period can be done with environmental integrity by following the methodologies for apportionment and regulatory compliance and invalidation outlined below.

Recommended methodology to apportion ROCs generated in one reporting period to LCFS credits and CCOs:

To follow the requirements of Equation 5.6 of the Livestock Protocol in order to generate ROCs, projects must track the volume of biogas that is sent to each destruction device in the project. Projects will therefore have a verified record of the volume of biogas produced by the project (Parameter F under the protocol) and the volume of biogas sent to the pipeline (Parameter $F_{pipeline}$). This data will allow projects to apportion the percentage of their methane reduction that goes to electrical generation and the percentage that goes to fuel according to the following equations:

$\%$ of ROCs eligible to be converted to LCFS credits = $F_{pipeline} / F$
$\%$ of ROCs eligible to be converted to CCOs = $[F - F_{pipeline}] / F$

Projects must demonstrate that 100% of the gas injected into the pipeline is sent to vehicle fuel; if it only a fraction of the injected gas goes to vehicles, $F_{pipeline}$ must be proportionally discounted.

Recommended methodology for regulatory compliance and invalidation:

The April 17th workshop raised additional concerns for how ARB should handle both invalidation and regulatory compliance concerns for ROCs that are converted to LCFS credits.

On **regulatory compliance**, The Climate Trust believes attempting to change only this component of the protocol for generating ROCs that will be converted to LCFS credits would overly complicate the process of monitoring and verifying against the livestock protocol. In order to generate ROCs, projects must demonstrate they are in regulatory compliance. ARB should not modify the regulatory compliance requirements for generating ROCs, even if those ROCs are intended to be converted into LCFS credits.

The Climate Trust believes ARB has suggested a large improvement to the regulatory compliance requirements through the amendments of the cap-and-trade program that narrow the period of time projects cannot issue credits to the period when the project is in violation of regulatory compliance requirements (rather than the entire reporting period). The Climate Trust continues to believe that defining a threshold of what constitutes a material violation of regulatory compliance would add additional certainty to the market and better enable California dairies to meet Short Lived Climate Pollutant goals. ARB should continue to improve the regulatory compliance requirements for dairy digester projects, and apply these requirements to any project generating ROCs – regardless of whether those ROCs are converted to LCFS credits or CCOs.

On **invalidation**, The Climate Trust believes that once ROCs are converted to LCFS credits, there should be no invalidation window associated with the resulting LCFS credits. Using the Livestock Protocol requires dairy digester LCFS projects to go through a significantly more rigorous process of monitoring, third-party verification, and third-party registry review than any other project type in the LCFS system. Adding the possibility that only dairy digester LCFS credits could be invalidated would greatly increase transactional friction and unnecessarily reduce the value of dairy digester LCFS credits. LCFS credits generated from ROCs therefore should not be subject to invalidation.

Thank you for the opportunity to submit comments and please reach out to me if you would like to discuss.