



September 5, 2017

The Honorable Richard Corey
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposed 2018 LCFS Amendments

Dear Mr. Corey:

The Bioenergy Association of California submits these comments on the Proposed 2018 Amendments to the Low Carbon Fuel Standard. BAC members strongly support the LCFS program and provide nearly all of the biomethane used for transportation fuel in California. BAC raises three serious concerns about the proposed amendments, however, that could undermine the progress made to date and the program's success going forward:

- The timeline to phase out natural gas is too fast for both biogas and natural gas and should be extended by several years at least;
- If natural gas will no longer be eligible for LCFS credits, than it should also not be allowed to power electric vehicles as approximately half of all California power is currently from natural gas;
- Adjustments to carbon intensity values, while necessary to ensure the accuracy of the program, should not be adjusted annually to avoid increased uncertainty, confusion and market disruption.

The Bioenergy Association of California represents private companies, public agencies, local governments and others working to convert organic waste to low carbon fuels, renewable power and pipeline biogas. BAC members are converting organic waste that would otherwise be landfilled, dairy waste, forest and agricultural waste, wastewater and landfill gas, all of which can be converted to low carbon and carbon negative transportation fuels. BAC also represents fuel providers and utilities that are seeking to increase biogas production and use to replace natural gas and lower the carbon intensity of California's gas sector.

BAC suggests the following changes to the Proposed 2018 LCFS Amendments.

1. The Phase-Out of Natural Gas Should be Extended from Two to Seven Years to Avoid Disrupting the Biomethane Market.

The Short-Lived Climate Pollutant Strategy and the Sustainable Freight Strategy make clear that California needs to quickly increase the conversion of organic waste to low carbon fuel to reduce SLCP emissions and pollution from diesel powered vehicles. The market for biogas as a transportation fuel is poised to take off over the next few years as policies like SB 1383 (Lara, 2016) and AB 2313 (Williams, 2016) are implemented.

Using biomethane for transportation fuel requires use of the existing natural gas infrastructure. Even where biomethane is used onsite to fuel vehicles and fleets, like at the Atlas Refuel station in east Sacramento, biomethane production depends on gas pipelines to inject the fuel when vehicles are not present. The state's existing natural gas infrastructure can provide short-term storage and can also provide access to fleets and end users that are offsite from the biogas production. Similarly, using biomethane as a transportation fuel depends on the availability of natural gas vehicles, which also depend on the state's existing natural gas infrastructure. Natural gas is also used as a blend fuel with biomethane which smooths supply.

BAC urges ARB to extend the phase-out of natural gas as an opt-in fuel because the phase-out will depress investments in natural gas infrastructure and vehicles that are also necessary to the adoption of biomethane as a transportation fuel. Given the urgency of converting dairy and diverted organic waste to biomethane, and the greater carbon and pollution reductions achieved when biomethane is used for transportation fuel, BAC urges ARB to extend the phase-out for at least five and preferably seven years to give the biomethane market a chance to get established before throwing another enormous obstacle in its path.

2. If Natural Gas is Phased Out as an Opt-In Fuel, then Electricity Generated From Natural Gas Should Also Be Phased Out.

If natural (fossil fuel) gas is going to be phased out as an opt-in fuel, then it should be phased out in all forms, including for use to generate electricity that is used in electric vehicles. Most electric vehicles in California run on power generated by the California electricity grid, approximately half of which is power generated from natural gas. It makes no sense to phase out the use of natural gas as a transportation fuel and yet to allow it to be used to generate electricity that is then used for transportation fuel. Converting natural gas to power in order to make it LCFS eligible would be a run-around to continue to allow natural gas to provide transportation fuel, even if that fuel is in the form of electricity.

ARB must be consistent about the eligibility of fuels. Either natural gas should be allowed or it should not. Phasing it out as a direct transportation fuel while allowing it to be used to produce electricity that provides transportation fuel is logically inconsistent and would seriously undermine one of the LCFS's biggest strengths, which is objective, lifecycle based fuel neutrality.

This would be a particularly strange outcome since natural gas can be used with biogas as a blended fuel that is still carbon negative. An electric vehicle that runs partially on natural gas powered electricity is still carbon positive, however. In other words, allowing natural gas to be a blend fuel for power generation may result in a higher carbon intensity fuel (power mix) than allowing natural gas as a blend fuel with biogas. This is a nonsensical outcome of a fuel standard that is supposed to be carbon based and fuel neutral.

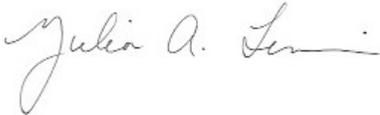
3. Adjustments to Carbon Intensity Should Not be Made Annually.

BAC supports the comments of Clean Energy on the staff's proposal to adjust carbon intensity values annually. It makes no sense to adjust CI values annually when it takes 24 months of data to have a project's CI certified. Annual adjustments will also increase uncertainty and dampen the LCFS credit market.

BAC urges ARB to adjust CI values no more often than every 24 months unless it is at the producer's request.

Thank you for the opportunity to comment on the proposed 2018 amendments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Julia A. Levin".

Julia A. Levin
Executive Director