December 21, 2022

Rajinder Sahota
Deputy Executive Officer

California Air Resources Board
Low Carbon Fuel Standard Program
1001 I St.
Sacramento, CA 95814

Comments in Response to the November 9th Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard

Dear Ms. Sahota,

The undersigned companies, industry leaders in the value chain for low-carbon transportation fuel from waste biogas, jointly submit these comments for the California Air Resources Board's (CARB) consideration. Collectively, we operate or represent approximately 66 facilities or pathways that create biogas from waste and all of us participate in the California Low Carbon Fuel Standard (LCFS) market. We would like to thank CARB for the opportunity to respond to the potential changes to the LCFS program discussed during the November 9th workshop.

In the 2022 Final Draft Scoping Plan, CARB emphasizes that private investment in alternative transportation fuels is crucial to transitioning the State's fuel mix away from petroleum.[1] The Scoping Plan also highlights that the LCFS is the primary mechanism for this decarbonization shift and plays a critical role in driving further reductions in emissions of criteria pollutants in communities within the State.

We applaud CARB for the agency's work to implement this program and diversify California's transportation fuel mix. The LCFS program is unparalleled in its effectiveness at successfully attaining cost-effective reductions in transportation fuel carbon intensity (CI), attracting private sector investments, and maintaining stable fuel prices.

Please find our response to some of CARB's proposed changes and our policy recommendations below. We strongly support the need for a much more stringent LCFS and recommend CARB implement a target of at least a 30 percent reduction in carbon intensity by 2030 to continue to accelerate carbon reductions in the transportation sector while driving innovation and investments. Additionally, we would like to underscore potential unintended consequences that could arise from some of the concepts presented by the agency during the Nov. 9 workshop. These proposed changes include a phase out of new avoided methane credits by 2030 and limiting book-and-claim to projects situated in the "Western Natural Gas Network" after 2025. The concepts send signals to clean fuel providers that could stifle investments in critical fuels needed to achieve California's ambitious GHG reductions in the transportation sector and beyond.

Thank you for your consideration of our comments. Should CARB have any questions or require any additional information, we welcome further discussion and review. We look forward to continuing to work with CARB staff on this program.

Sincerely,

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[1] CARB, 2022 Scoping Plan for Achieving Carbon Neutrality, November 16, 2022.

The LCFS Can Accelerate Reductions in GHG Emissions

Policy Recommendation: We encourage CARB to target at least a 30% reduction in CI by 2030, with a significant step-down beginning in 2024 to account for crediting beyond the current target.

As discussed in the Scoping Plan, the LCFS program and principles are underpinned by robust science. The regulation and, more specifically, the carbon intensity metrics, are built upon extensive research and a full public process. The LCFS program bolsters innovation by facilitating investments that are continuing to drive down the CI of alternative fuels. As highlighted during the workshop, the significant investments in alternative fuels, including biodiesel, renewable diesel, biomethane, and electricity, displaced over 3.1 billion gallons of petroleum fuel in 2021.[2] Not only is the program leading to investments that both support the production of renewable natural gas (RNG) and displace petroleum, but it is also supporting continued investments that further drive down the CIs of RNG and other fuels. This program both catalyzes investments and rewards continuous improvements.

The LCFS is currently playing a critical role to support investments in dairies, landfills, and wastewater treatment facilities to capture methane emissions that otherwise would have been flared or emitted into the atmosphere.

We strongly support the move towards a much more stringent LCFS to continue to drive innovation and accelerate GHG reductions. A more aggressive CI reduction target will deliver additional GHG emission reductions and provide a positive investment signal. It will also support the State's ambitious target of at least a 40 percent reduction in economy-wide GHGs by 2030 and carbon neutrality by 2045. With the overproduction of credits in each of the past six quarters and an expectation this surplus will continue to grow, CARB has the opportunity to economically accelerate decarbonization within the transportation sector. We encourage CARB to target at least a 30% reduction in CI by 2030, with a significant step-down beginning in 2024 to account for crediting beyond the current target. Additionally, we support incorporating a dynamic mechanism that further tightens the stringency of the program in the event of sustained overperformance until such time that long-term carbon neutrality goals are achieved and sustained.

Importance of Encouraging Further Methane Emission Reductions

Policy Recommendation: We encourage CARB to take public comment on the proposal for a 2030 phase-out for fuel pathways crediting avoided methane and consider all feedback that this would eliminate a mechanism proven to successfully reduce methane emissions.

As outlined in the Scoping Plan, more aggressive action is still needed to address short-lived climate pollutants (SLCPs).[3] SB 1383 targets a 40 percent reduction in total methane emissions and a 40 percent reduction in dairy and livestock emissions. Methane emissions in the state have remained flat since 2013 and, based on the latest modeling that projects outcomes for mitigation strategies currently in place, California is only expected to achieve half of the SB 1383 targeted emissions reductions by 2030.[4]

RNG can play a pivotal role in avoiding methane emissions and supporting the transition to zero-emission vehicles (ZEVs). In the Scoping Plan, CARB affirms that "biomethane currently displaces fossil fuels in transportation and … will likely continue to play a targeted role in some fleets while the transportation

[2] CARB Presentation, slide 8, November 9th Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard.
[3] CARB, Scoping Plan.
[4] CARB, Scoping Plan.

sector transitions to ZEVs."[5] Biomethane can also serve as a feedstock for green hydrogen, a key transportation fuel of the future for California.

At the federal level, the Biden Administration seeks to reduce methane emissions by 30 percent by 2030, a goal established in the Global Methane Pledge, and notes that manure management and landfills account for 27 percent of U.S. methane emissions.[6]

In Alternatives A and B, the staff presented scenarios that, for the first time, proposed a 2030 phase-out for fuel pathways crediting avoided methane. Currently, an entity that installs a digester and eliminates methane emissions would receive the full 10-year crediting period for avoided methane for the project. Staff is proposing to keep that same treatment for projects that apply until 2030 and then eliminate the recognition of the methane abatement. This would result in a complete phaseout of fuel pathways that include avoided methane crediting by 2040.

While we support recognition of methane avoidance projects through 2030, we question why CARB would institute an artificial cut-off for these valuable projects. As discussed above, California is targeting a 40 percent reduction in methane emissions by 2030, meaning that a majority of methane emissions will continue after that date. So long as methane abatement is not required by law, why would CARB eliminate a mechanism proven to successfully eliminate this potent greenhouse gas? The proposed phaseout would discourage the development of additional emission reducing RNG projects and would likely result in a number of active projects that rely on LCFS credits to cease operations.

Restrictions on Book-and-Claim

Policy Recommendation: We respectfully urge CARB to abandon the arbitrary and unfair restrictions of the "Western Natural Gas Network" geographic limitation and the exclusion of landfill gas from eligibility for using book-and-claim.

California currently has multiple policies in place that are reducing the demand for petroleum, including the LCFS. Further, numerous policies are being implemented that are continuing to reduce the demand for combustion-based fuels, including RNG (e.g., Advanced Clean Truck Regulation). These policies will create demand-side reductions, eventually reducing consumption of RNG in the transportation sector, with the LCFS supporting progressively lower CI scores for the RNG that is consumed. As such, placing additional restrictions on the scientifically robust methods in the LCFS upon which the CIs are calculated is neither warranted nor necessary.

We also view the "Western Natural Gas Network" geographic limitation to be arbitrary and unfair. There is no relevant distinction between gas contractually sold into California (via book-and-claim) from Montana versus Wisconsin. The fact that Montana is closer to California does not ensure that green biomethane molecules flow into California, versus a state outside the "Western Natural Gas Network". Staff did not provide any policy justification for the proposed restriction other than that the geographic area would match the electric pathway. Since the physics, distribution network, reliability concerns, and commercial arrangements for electricity differ greatly from those associated with natural gas, we do not see any relevant reason why CARB is justified in imposing this restriction on RNG. We disagree with the rationale for imposing such geographic restrictions.

Finally, we oppose the disparate and unjustified exclusion of landfill gas from eligibility for using book-and-claim after 2030. We are not aware of any justification for what is essentially a ban on landfill gas

[5] CARB, Scoping Plan.
[6] White House, U.S. Methane Emissions Reduction Action Plan, November 2021.

imports (except for hydrogen) while continuing to allow other out-of-state sources of RNG to access the LCFS program. Many smaller landfills do not have collection systems, and the LCFS provides a needed source of revenue to justify these projects. To exclude this biomethane, while allowing other RNG categories continued access to the LCFS market, abandons a significant opportunity for further methane reductions and creates an arbitrary limit on out-of-state projects that will increase the policy risk of the LCFS program for all potential clean fuel providers (not just landfill gas projects). We respectfully urge CARB to abandon this unfair restriction on landfill gas and allow the existing features of the LCFS program and California's transportation policies to work as intended.

Conclusion

Several of the concepts presented by CARB are likely to cause the unintended consequence of stifling investments in critical clean fuels that are needed to achieve California's ambitious GHG reductions. These concepts include the potential phase out of new avoided methane crediting by 2030 discussed above as well as the proposed limitation of book-and-claim to projects situated in the "Western Natural Gas Network" after 2025, with no book-and-claim for landfill gas at all after 2030 unless it is used to create hydrogen.

Though these scenarios under consideration were intended for analysis and are not formal proposals, they send a signal to the RNG market that places needed future investments in jeopardy. Indeed, to the extent that the limitation on book-and-claim could be applied retroactively, even raising the limitation as a possibility dramatically increases the perceived policy risk associated with any investment into the LCFS program. If such a limitation were to apply to approved, working RNG projects, representing hundreds of millions of dollars of investment, it will chill any future investment into alternative fuels for the State. Without any statement by CARB to the contrary, this proposal will stall new methane abatement projects by dairies, landfills, and wastewater plants outside the arbitrary geographic limit. These projects typically take two years to complete and were funded based on the LCFS program recognizing all of the project's methane abatement benefits, which can no longer be assured.

As noted above, rigorous research conducted for the 2022 Scoping Plan and the LCFS supports both recognition of avoided methane emissions, as well as the continued role of book-and-claim to magnify CARB's policies beyond California's borders. These signals drive additional methane reductions and ensures a robust supply of biomethane is available to California.

Again, we would like to thank you for your consideration of our comments. Should CARB have any questions or require any additional information, we welcome further discussion and review. We look forward to continuing to work with CARB staff on this program.