



March 15, 2023

VIA ELECTRONIC FILING

Cheryl Laskowski
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Low Carbon Fuel Standard February 2023 Workshop

Dear Dr. Laskowski:

Thank you for the opportunity to submit comments regarding the February 2023 LCFS workshop. While we believe that the outcome of changes made to the program should be materially different than some of those initially proposed, we fully appreciate the willingness CARB staff has shown to work with various stakeholders along the way to incorporate changes and additional data to further strengthen the program.

While we recognize the support that CARB staff voiced for RNG during the Workshop, investors we regularly interact with are frankly very concerned about proposed changes in the LCFS's RNG crediting framework and significant delay in processing Pathways. All RNG projects (either in planning or construction) are dependent on LCFS revenues to return the billions of dollars committed to support the growing RNG sector in California, and the resulting methane reduction that will occur. This is true when investors make RNG project capital commitments, and it will be true for decades to come when those investments require a return. Programmatic changes that are proposed should be thoroughly rationalized, fact and data based, and supported with a reliable progression that both meets the criteria established in the program, as well as the non-governmental support and action that is required to achieve the goals of the program. Anything less creates a climate of confusion and uncertainty that not only impacts the RNG sector, but other renewable fuel/energy sectors that are essential for the program's overall success.

After a decade of strong support for RNG and the resulting projects that have proven to meet or exceed goals of the LCFS, now is not the time to propose significant changes that will disrupt and potentially endanger the hundreds of California based RNG projects that are either constructed, being built, or in the planning process. It took years of LCFS credits being awarded to RNG projects under a stable framework, clear recognition of the methane reduction benefits, and significant taxpayer funded investments by multiple California state agencies to build confidence for developers and investors to move forward with long-term private investments in RNG projects. If CARB continues down the path of changes proposed at the workshop, it will undermine prior efforts to convince investors to make long-

term capital deployment decisions based on unreliable LCFS credit values – with RNG or other renewable fuels and technologies.

We strongly disagree with CARB staff's proposal to phase-out avoided methane crediting. Agricultural and organic waste diversion projects are heavily dependent on LCFS revenue for profitability, driven by the avoided methane components of their CI scores. Detailed economic models provided to CARB clearly show that avoided methane crediting for only 10-15 years is insufficient to meet capital repayment requirements for new projects, and that current RFS plus LCFS credit value (without avoided methane crediting) is not likely to cover operating costs for dairy-RNG projects. If enacted, this phase out will certainly lead to backsliding on methane emissions, multi-million dollar stranded assets, and eventual methane "leakage" to other states. RNG should be afforded the same consideration as other renewable fuels and not arbitrarily singled out for extinction as a transportation fuel. This would be especially disingenuous after a decade of support and encouragement by the State of California and would result in unfavorable consequences for methane reduction. Avoided methane crediting should continue in the LCFS until a realistic and proven alternative policy is proposed and fully vetted. While we are not opposed to other end-uses for RNG if the current LCFS crediting mechanism continues, it is imprudent to suggest this without fully considering the consequences and impact on investments in this below zero CI renewable fuel. In short, we do not support changes to the LCFS regulation that would require phase-out of avoided methane crediting *without* a suitable replacement policy.

We were pleased to see a commitment from CARB staff at the Workshop to release improved Tier 1 calculators for this rulemaking. We support the majority of RNG pathways being Tier 1 in the future and we remain committed to working with CARB to help improve processing times and reduce administrative complexity for RNG pathways. Persistent delays in processing Pathway applications have developers and investors struggling to meet current commitments as projects are unable to satisfy capital return requirements. While we support CARB's proposal for an improved Tier-1 structure, we hope to see additional resources committed in the near term to address the backlog that is troublesome for both the LCFS program and its participants.

To that end, true-up crediting should be offered to improve clean fuel economics and help the program correctly account for the full GHG benefits all pathways produce. At the August 2022 Workshop, CARB Staff proposed providing a credit true up to correct for under crediting to pathway holders who choose to use temporary CI scores at the outset of their credit generation. Such a limited true up would help reduce the pressure on CARB from developers to process LCFS applications quickly. We continue to support this concept, as well as a full true up to verified actual CI performance.

Again, we thank you for your consideration of our comments and continued engagement with stakeholders. We look forward to working with you and your colleagues at CARB to strengthen and improve this critical program.

Sincerely,



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