

Liane Randolph
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: November 9, 2022 Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph:

DTE Vantage appreciates the opportunity to provide written feedback on the public workshop held on November 9th to discuss potential changes to the Low Carbon Fuel Standard (LCFS). DTE is a developer, owner, and operator of biomass, co-generation and landfill gas electricity facilities in California, supplies renewable natural gas (RNG) to the state through the LCFS, and is currently in the process of developing one of the first carbon capture and sequestration (CCS) facilities in California.

Our company is deeply invested in California's decarbonization goals and believes the LCFS has been and remains a critical tool for achieving the state's objectives to reduce the carbon intensity of the transportation sector. We appreciate CARB's efforts to engage stakeholders as it considers updates to the LCFS program and respectfully submit the following comments for your consideration.

Increasing the CI Stringency Would Represent a Fuel Technology Agnostic Approach to Bring the LCFS Program Back into Balance and Achieve Future Decarbonization Goals

As noted by staff, the LCFS has been an incredibly effective program in attracting increasing volumes of diverse low carbon fuels into the California market. While this success is to be applauded, the program's overperformance has resulted in a meaningful oversupply of credits that is expected to continue in perpetuity. Based on the current oversupply and strong future potential for credit generation, there is a significant opportunity for CARB to accelerate the stringency of the LCFS program.

Assuming continued growth in electric vehicles, renewable diesel, and carbon storage projects in California, we believe a 35% target together with a significant step-down in 2024 would be necessary to provide for a rebalancing of the LCFS Program. In addition to accelerating the stringency of the program, we are aware of a proposal to establish a self-executing acceleration mechanism that could adjust the CI targets in response to certain changes in credit generation. We would encourage CARB to consider such a mechanism and engage with interested parties to



understand how this potential tool might complement the updated targets and ensure that LCFS regulations continue to send constructive market signals encouraging further investments in low carbon fuels.

Avoided Methane Crediting is Critical for Ensuring Future Investments in RNG and Methane Capture Projects

Avoided methane crediting has led to significant investments in dairy RNG projects and resulted in meaningful progress towards addressing fugitive methane emissions on farms through the installation of anaerobic digesters. During the workshop, staff presented scenarios that would phase out future avoided methane pathways by 2040 without discussion of alternative policies or strategies to ensure manure methane emissions are addressed. These proposals create significant uncertainty about the consistency of LCFS regulations and would give us serious pause about future investment.

In addition to discouraging the development of new RNG projects that would deliver emission reductions, such changes may lead existing projects to cease operations. In many cases, the fundamental economics of operating anaerobic digesters and RNG upgrading equipment would not be sustainable without the LCFS credit. Absent other changes or requirements outside of the LCFS, the elimination of avoided methane crediting would result in increased emissions on farms and undercut the significant achievements made to date.

We acknowledge that staff issued a Frequently Asked Questions document after the workshop which sought to clarify the rationale behind these provisions while recognizing the importance of investment certainty and achieving methane reduction projects in the short term. We would encourage staff to engage the RNG industry around its goals for ensuring the avoided methane crediting provisions align with statutory targets and reinforcing investor confidence in the continued role for RNG in the LCFS program.

Changes to Book and Claim are not Warranted

While the staff proposal to change book and claim eligibility lacks necessary detail to fully understand how these proposed changes would function, we do not believe demonstrating a deliverability path for RNG into California is necessary or warranted due to the physical design of the natural gas delivery system and the fungible nature of the commodity. The book and claim accounting model is commonly used in other North American clean fuels markets as well as Europe, and the establishment of an artificial Western gas market would serve to reduce RNG's contribution to achieving California's emission reduction goals while undercutting the good faith investments that companies like ours have made.

DTE VANTAGE

The use of book and claim has resulted in significant methane mitigation at projects across the United States delivering large volumes of lower cost RNG into the California transportation market. While we support the establishment of additional clean fuels markets in other jurisdictions, as well as identifying ways to further encourage the development of in-state projects, we do not believe new barriers to out-of-state supply are needed. Adopting the scenarios laid out in the workshop would limit the supply of economic RNG flowing into the LCFS, thus increasing the cost of compliance under the program. Rather than pursuing new restrictions, we believe a better approach would be to focus on identifying ways to reduce the regulatory and financial barriers currently hindering the development of more RNG projects within the state of California.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink that reads "Philip O'Neil". The signature is written in a cursive, slightly slanted style.

Philip O'Neil
Vice President - DTE Vantage