



To: The California Air Resources Board (CARB)

From: Morgan Beeler, on behalf of STX Commodities, LLC

Date: December 21st, 2022

RE: Comments on CARB's LCFS Prerulemaking Workshop Regarding Phaseout of Book-and-Claim for Grid-Injected Biomethane and Landfill Gas Projects

STX Commodities, LLC ("STX"), an environmental commodities trader, respectfully submits this comment in response to potential updates to the Low Carbon Fuel Standard (LCFS) program as outlined by CARB staff during the November 9th, 2022, prerulemaking workshop. California is a leader in implementing innovative climate policy to reduce anthropogenic carbon emissions and STX applauds CARB's proposed goal of 90% emissions reduction by 2045. In order to achieve this significant goal, STX feels strongly that CARB should reconsider proposed changes to the book-and-claim mechanisms outlined in options A and B for biomethane (also referred to as renewable natural gas, or RNG) and landfill gas. These proposed changes deviate from existing precedent and the structure of federal and regional clean fuels programs. STX is concerned that approving and implementing these proposed changes will disincentive the development of RNG and landfill gas projects, ultimately reducing supply in the market and acting counter to CARB's decarbonization goals.

Today, book-and-claim is used in all transportation fuel compliance programs in North America, including Oregon's, Washington State's, and British Columbia's Low Carbon Fuel Standards as well as the United States' Renewable Fuel Standard (RFS) and Canada's Clean Fuel Standards. The use of book-and-claim reduces lifecycle carbon emissions by introducing more low-carbon fuels into the supply chain and providing opportunities for entities to purchase renewable fuels when direct deliverability is infeasible. These programs paired with the flexibility of book-and-claim are responsible for the significant investment in clean fuels, namely RNG, over the past ten years.

As outlined, CARB would still allow book-and-claim for projects meeting certain specifications. For RNG eligibility, projects would need to be located within the "western natural gas grid," which CARB defined as "projects in the region that currently supply the majority of fossil gas to California." While this provides some flexibility, it would still significantly limit the pool of RNG producers eligible for the LCFS program. STX recognizes CARB's goal is to, in part, increase the value of LCFS credits; however, we question whether there is ample evidence that the supply of RNG within the "western natural gas grid" would be sufficient to meet demand. A clearer definition of what encompasses the "western natural gas grid," including an accompanying map, is needed to aid in analyzing potential supply constraints and where market growth would need

to occur. To the extent that CARB decides to move forward with these new provisions for book-and-claim, STX strongly recommends continuing the 10-year crediting period through 2030 to give the market time to make necessary adjustments.

For landfill gas eligibility, projects would have to meet the same provisions as RNG (i.e., projects within the “western natural gas grid”) *unless* expressly being used as feedstock for hydrogen fuel. CARB’s FAQ factsheet also indicated RNG used for hydrogen fuels would be eligible for LCFS; however, it was unclear if that encompassed book-and-claim for RNG outside of the “western natural gas grid.” STX requests additional clarification on eligibility of RNG for use as hydrogen fuel feedstock to further analyze this provision and its impacts. Overall, while STX recognizes CARB’s interest in incentivizing hydrogen fuel production, we believe this can be done without disincentivizing production of other clean fuels. To meet CARB’s accelerated goal of 90% emissions reduction by 2045, an all-of-the-above approach will be needed. If CARB decides to put forth this provision, STX suggests allowing for unrestricted book-and-claim of landfill gas *and* RNG for use in hydrogen fuel production.

Lastly, California’s LCFS program supports RNG and landfill gas projects across the country and California prides itself in being a leader in this space. While STX is cognizant that CARB’s role is to implement programs within its state, not to consider other states’ programs or standards, the LCFS program is unique in that its regulatory language has been used by other states to design their clean fuel programs, such as Oregon and Washington. California’s LCFS program was a huge success in part due to its willingness to accept book-and-claim from across the country, incentivizing project creation. Additionally, the ability to stack LCFS credits with RIN generation via EPA’s RFS program further increases incentives for renewable fuel producers and purchasers. A significant change to book-and-claim allowances in CARB’s program is likely to have a domino effect in similar regional programs and set precedent for states currently looking to implement LCFS-type programs, ultimately hindering RNG and landfill gas investment nationwide.

In conclusion, STX believes continued allowance for unrestricted book-and-claim of RNG and landfill gas will only strengthen the market and support California’s overall decarbonization goals. STX appreciates the opportunity to provide comment on CARB’s prerulemaking for the LCFS and we look forward to our continued participation in the rulemaking process. Please do not hesitate to reach out if you have any questions.

Morgan Beeler, Policy Analyst, RNG North America
+1 212 597 9368 | Morgan.Beeler@stxgroup.com