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June 23, 2022

California Air Resources Board
1001 I Street
Sacramento, CA 95814
Via: http://www.arb.ca.gov/lispub/comm/bclist.php

Comments on Draft 2022 Scoping Plan Update

Dear California Air Resources Board Members:

Thank you for the opportunity to provide comments on the Draft 2022 Scoping Plan Update (Draft), dated May 10, 2022. We are encouraged by the direction of the Draft and thorough analysis and consideration of alternatives provided therein by the California Air Resources Board's (CARB's) staff. Below we provide specific comments on the Draft, as well as remarks specific to the future of the Low Carbon Fuel Standard (LCFS), which we hope will provide helpful input as you consider the strategic tools available to achieve significant emissions reductions in California.

As background, Oberon is an innovative California company founded in San Diego almost 12 years ago with a focus on decarbonizing the global LPG/propane industry while laying the foundation for green hydrogen. We accomplish this by producing renewable dimethyl ether (rDME) at our Brawley, California production facility. rDME can be made from various in-state waste streams (*e.g.*, dairy manure biogas) and can reduce the carbon footprint of transportation when used as 1) a blending agent with LPG/propane; and 2) a hydrogen carrier to power the growing fuel-cell electric vehicle market.

Remarks on Selection of Proposed Scenario

Oberon Fuels supports the selection of the Draft's "Proposed Scenario," (identified as "modeling scenario Alt 3"), as the foundation for the final 2022 Scoping Plan Update. Oberon Fuels strongly supports the Draft's consideration of feasibility in its choice of the Proposed Scenario, given that the state's pursuit of an overly aggressive plan that cannot realistically be implemented risks delaying or deterring cumulative technological progress and might well contribute to erosion of necessary public support. Our comments below on the LCFS as a practical tool to implement the Scoping Plan reflect the primacy of using feasible and cost-effective approaches to achieve the state's important objectives. We encourage the Board to keep practical matters at the forefront of your thinking – the urgency of addressing the climate crisis requires steady and sustainable successes and not big swings and misses.

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Biofuels in Hard to Decarbonize Sectors

In the Draft's fuels discussion, as reinforced in the dairy methane and landfill gas methane discussions, the Draft notes that, "Biomethane currently displaces fossil fuels in transportation and will largely be needed for hard-to-decarbonize sectors but will likely continue to play a targeted role in some fleets while the transportation sector transitions to ZEVs." [1] We support the recognition of biomethane as a tool to help decarbonize both transportation and industrial fossil fuel use. The Draft also suggests a strategic shift of biomethane away from transportation applications and into those 'hard to decarbonize' sectors. We note that the success of biomethane in reducing fossil fuel use in transportation is a function of the LCFS and strong financial incentives. As such, if CARB wishes to consider encouraging biomethane in other markets outside of transportation applications, then additional incentives will be necessary. We would support new or equivalent incentives – but urge the Board to mind the caution in the Draft that notes, "In addition to building the production and distribution infrastructure for zero-carbon fuels, the state must continue to support low-carbon liquid fuels during this period of transition and for much harder sectors for ZEV technology such as aviation, locomotives, and marine applications." [2] Therefore, we would strongly urge CARB not to take any actions that would weaken the robust support structure and critical market signal role that the LCFS currently provides for biomethane in transportation applications.

Instead, we suggest CARB apply or adapt the LCFS structure to help facilitate decarbonization of other diesel, fossil natural gas, and propane fueled applications in parallel to ZEV requirements. Many users of these fossil fuels strenuously object to making such changes due to the significant costs associated with transitioning to zero-emission equipment. One result is that users are delaying equipment change-overs, thereby resulting in older fossil fuel burning equipment pushing their useful life expectancies. Oberon believes that allowing users to receive credit for reducing the carbon intensity while using in-service equipment will help facilitate quicker emissions reductions, fossil fuel displacement, and market transformation. This credit could be provided through either targeted incentive programs or by broadening applicability of the LCFS fuel pools for both credit and deficit generators.

LCFS and Short-Lived Climate Pollutants Program Nexus

We recognize that the 2022 Scoping Plan Update provides a wonderful opportunity to provide for regulatory harmonization, which in turn can improve outcomes and leverage existing tools. For example, there is an interplay of the Short-Lived Climate Pollutants Program regulations for dairy methane and the LCFS. The 2022 Scoping Plan Update can provide valuable guidance on how these two programs can best complement each other to incentivize the fastest, most economic, and equitable environmental outcomes.

[1] Draft 2022 Scoping Plan Update, Page 152.
[2] Ibid.

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To the maximum extent possible, CARB should harmonize the Short-Lived Climate Pollutants Program's regulations to support further use of the LCFS to reduce dairy methane emissions. However, CARB notes in a guidance document, "Credit Generation for Reduction of Methane Emissions from Manure Management Operations (September 2020)", that "projects developed after the Regulation's emission reduction requirements are in effect would not be eligible for compliance offset credits or an LCFS carbon intensity that reflects avoided methane emissions, as the methane reductions associated with those projects would not be additional to the Regulation…"[3] We urge CARB to consider regulatory approaches that would not cut off future innovative biogas projects.

The biogas/LCFS intersection is larger than the use of renewable natural gas in CNG vehicles. Biogas is a critical, limited, renewable alternative to fossil natural gas, petroleum, and coal, which can produce a diverse set of clean fuels and technologies that California will need in its overall portfolio to meet its overall climate goals. The LCFS can provide a market signal to help facilitate the long lead times necessary to build physical infrastructure in hard-to-decarbonize regions of the state. Conversely, a regulatory structure that cuts off new projects in 2024 will severely hinder deployment, send the wrong signals to critical private capital, and halt future innovation of business models that support both farmers and clean transportation.

Currently, the market signals derived from the LCFS are resulting in huge improvements in manure management around the country, thereby facilitating economic and environmental win-wins. CARB and California benefit from the broadest possible scope of influence as widespread deployment reduces costs, pollution, and emissions. Because of the power of its market signal and flexible program design, CARB is able to incentivize good behavior even in places outside its regulatory reach. However, CARB risks significantly negating the continuation of such beneficial activities outside California's borders by regulating emissions in a way that negates the LCFS incentive.

Conclusion

As a California-based project developer and innovative clean fuel producer, Oberon can unequivocally state that CARB's actions will have real, dramatic, and near-term impacts that can unlock long-term investment by leveraging the robust market signal of the LCFS. Thank you for your time and consideration. Please do not hesitate to contact me at david.mann@oberonfuels.com with any questions.

Sincerely,

David Mann
Vice President, Regulatory and Government Affairs
Oberon Fuels

[3] Credit Generation for Reduction of Methane Emissions from Manure Management Operations