

July 5, 2018

Clerk of the Board

California Air Resources Board

P.O. Box 2815
Sacramento, CA 95812

Electronically Submitted at <https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=lcfs18&comm_period=1>

RE: **Proposed Modifications to the Low Carbon Fuel Standard Regulation**

Dear Air Resources Board Members and Staff,

The Coalition for Renewable Natural Gas (RNG Coalition) thanks you for the opportunity to provide written feedback on the Proposed Modifications to the Low Carbon Fuel Standard Regulation (proposed modifications) posted June 20, 2018. We appreciate the California Air Resources Board (CARB) and staff’s goal of improving the effectiveness of the LCFS program and support several proposed modifications that will help to do so. To the contrary, we believe several of the proposed amendments could have the unintended consequence of undermining the market for LCFS credits generated by alternative fuels, including renewable natural gas.

The RNG Coalition is a non-profit organization based in California that represents and provides public policy advocacy on behalf of the renewable natural gas (RNG, biomethane, upgraded biogas) industry in North America. Our membership is comprised of leading companies operating in each sector, including but not limited to producers of greater than 90% of all the RNG produced in the United States and Canada.

**MODIFICATIONS TO THE DEFINITION OF BIOMETHANE (PAGE 4)**

RNG Coalition supported staff’s previous proposed definition of biomethane, which was consistent with California Health and Safety Code Section 25420, which states that biomethane means biogas that meets the standards for injection into a common carrier pipeline. However, RNG Coalition also expressed concern to staff that this definition alone would not allow for onsite fueling, and therefore suggested the addition of a second definition to allow for the use of biogas that has been upgraded to natural gas vehicle fuel standards.

However, the manner in which staff has attempted to address the issue in the proposed modifications puts the regulation in conflict with state law. The proposed definition defines biomethane as biogas that has been upgraded for use in a natural gas vehicle. However, biogas that has been upgraded for use in a natural gas vehicle does not necessarily meet standards for injection into a common carrier pipeline. We believe this may cause confusion between various programs that use the definition in the Health and Safety Code. We also believe this would be inconsistent with other sections in this regulation, for example, RNG used as a process fuel or for use in book-and-claim accounting may require the use of biomethane that meets the standard used in state law. **Therefore, we respectfully ask that you either (1) adopt the statutory definition of biomethane and account for vehicle fuel in a separate definition, or (2) revise the proposed definition as follows: *Biomethane is biogas which has been upgraded to natural gas quality standards, including but not limited to vehicle fuel and pipeline injection standards.***

**NEW SIMPLIFIED TIER 1 CI CALCULATORS FOR WASTEWATER SLUDGE, DAIRY AND SWINE MANURE, AND FOOD, GREEN, AND OTHER ORGANIC WASTE (PAGE 45)**

RNG Coalition appreciates the inclusion of simplified Tier 1 CI Calculators for Wastewater Sludge, Dairy and Swine Manure and Food, Green, and Other Organic Waste in the proposed modifications. However, we are concerned that the process of revealing the Dairy and Swine Manure and Food, Green, and Other Organic Waste calculators is beyond the scope of the 15-day package and thus provides inadequate opportunity to evaluate. These are highly complex mechanisms that will take more time for us to review. Initial feedback we have received indicates that the Food, Green, and Other Organic Waste calculator results in material deviations, such as previously negative CI scores that will now be positive, that require additional time for our members to review the extensive associated modeling. **Therefore, we respectfully ask for sufficient opportunity, at least two to three weeks, to review the calculators and discuss with staff.**

**BOOK-AND-CLAIM ACCOUNTING FOR PIPELINE- INJECTED BIOMETHANE USED AS A TRANSPORTATION FUEL OR TO PRODUCE HYDROGEN (PAGE 57)**

RNG Coalition supports the extension of the timeframe between the time that RNG can be injected into the common carrier pipeline in North America and the time that quantity is sold as RNG in California to three calendar quarters. We asked for this change in our previous comments and were pleased to see this in the proposed modifications. We have also asked staff for an exception for this limitation in the case of physical storage. In our previous comments, RNG Coalition expressed concerns that a project will have stored a significant amount of gas during the data collection period, and the full volume of this gas may not be able to be discharged in this time frame. **Therefore, we respectfully ask that you consider explicitly excluding physical storage from the three-calendar-quarter limitation on book-and-claim accounting for RNG.**

**PROPOSED UPDATES TO TEMPORARY FUEL PATHWAYS TABLE CI VALUES (PAGE 60)**

RNG Coalition supports the proposed update to the temporary fuel pathway table value for biomethane derived from dairy/swine manure from zero to –150 gCO2e/MJ. As we noted in our prior comments, we believed the previous value was unreasonably high. We thank you for the more reasonable updated value.

**CREDITING PERIOD FOR DAIRY AND SWINE MANURE AVOIDED EMISSIONS (PAGE 62)**

The proposed regulation limits credit generation to ten years in the event of regulation of livestock emissions. RNG Coalition believes that this will be counter-productive to meeting the goals of SB 1383 and the LCFS.  The ten-year limit necessarily compels investors and lenders to assume a ten-year cut off on the LCFS revenue that comes from avoided methane emissions, thus making projects less attractive to finance and develop. This will result in fewer projects being built in the near term that will capture and use the methane. If livestock RNG projects were allowed to count the avoided methane emissions notwithstanding future regulation, for at least 20 years, more projects would be funded and built and therefore more methane emissions would be avoided without regulation of those methane emissions. If the incentive is large enough, the desired level of methane capture would be achieved irrespective of any future regulation that would limit or penalize those emissions. **Therefore, we respectfully ask that you consider allowing livestock RNG projects to generate LCFS credits based on methane capture and destruction for at least 20 years.**

**CREDITS FOR PRODUCING AND TRANSPORTING CRUDE USING INNOVATIVE METHODS (PAGE 78)**

RNG Coalition supports the provisions allowing credit generation for crude oil that has been produced or transported using innovative methods and delivered to California refineries for processing. However, we are unsure what is meant by the requirement for Renewable natural gas (RNG) or biogas energy to be “physically supplied directly” to the crude oil production facilities. RNG is generated from feedstock at existing stationary sources such as landfills, wastewater treatment facilities and dairies and often cannot feasibly be located near a crude oil production facility.

**For this reason, we ask that you consider alternative requirements that would enable pipeline-injected RNG sourced from within California to qualify under this provision.** The California Public Utilities Code section 399.12 outlines a widely-accepted framework for the inclusion of pipeline-injected biomethane in the Renewable Portfolio Standard Program that we suggest using as a starting point. **We also ask that if the term “physically supplied” remains in the regulation, that you specify what methods are acceptable.** For example, if trucking or a dedicated pipeline are required to meet the standard, please list those potential options in the regulation.

**CONFLICT OF INTEREST REQUIREMENTS FOR VERIFICATION BODIES AND VERIFIERS (PAGE 106)**

RNG Coalition supports the extended phase-in period for certain services to January 1, 2023 and clarifying language for certain high-risk services, including accounting. As mentioned in our prior comments, we support the concept of third-party verification in order to strengthen the environmental integrity of the LCFS program. However, we are concerned that the system may face challenges due to lack of available services from qualified providers. We believe the extended phase-in period for certain services and clarification language for certain high-risk services will help smooth the implementation process. We thank you for these modifications.

**IMPLEMENTATION OF REPORTING FOR FOSSIL CNG**

RNG Coalition believes that equity for all fuel types is key to maintaining the integrity of the LCFS program. Propane, which is currently a credit generating fuel, is expected to become a deficit generating fuel in 2021.  Under the proposed LCFS Amendments, propane would be required to begin reporting fuel to the LCFS program in 2019, *two years* before becoming a deficit generating fuel.  The proposed Amendments would require fossil CNG to begin reporting in 2019, *five years* before becoming a deficit generating fuel. RNG Coalition is concerned that this implementation timeline will not provide sufficient time for these users to secure RNG contracts and may unintentionally lead some fleet owners to switch back to using diesel trucks to avoid the reporting requirement. In order to maintain equity between fuels, and in order to avoid backsliding on alternative fuels, **we respectfully ask that you consider delaying the implementation of reporting for fossil CNG until 2022, *two years* before becoming a deficit generating fuel and consistent with the timeline associated with propane.**

CONCLUSION

The Coalition for Renewable Natural Gas would like to acknowledge the hard work and due diligence CARB staff has demonstrated in drafting the Proposed Modifications to the Low Carbon Fuel Standard Regulation. We look forward to continuing to partner with the California Air Resources Board and Staff to ensure the effectiveness of the LCFS program in achieving California’s air quality, greenhouse gas reduction and energy independence goals.

Please do not hesitate to contact me directly with any questions or concerns.

Sincerely,

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Director of State Government Affairs

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