



To: The California Air Resources Board (CARB)

From: Morgan Beeler, Head of Policy Analysis for RNG, on behalf of STX Commodities, LLC

Date: March 14th, 2023

RE: Comments on CARB's February LCFS Workshop

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 February 22nd, 2023, 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. STX supports CARB's proposal for a near-term step-down mechanism, as well as development of an automatic adjustment mechanism, to bolster credit prices and support market growth. Of particular note, STX feels strongly that CARB should reconsider proposed changes to the book-and-claim mechanisms 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 implementing these proposed changes will disincentivize the development of RNG and landfill gas projects, 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. One specification is that projects would need to be connected to a pipeline that flows at least 50 percent of the year into California. While this provides some flexibility, it would still significantly limit the pool of producers eligible for the LCFS program. STX recognizes CARB's goal is to, in part, increase the value of LCFS credits; however, it seems counter to the objectives of the program to restrict the geography of renewable fuels that are eligible. To meet CARB's accelerated goal of 90% emissions reduction by 2045, an all-of-the-above approach will be needed.

Additionally, STX understands CARB's interest in incentivizing renewable hydrogen fuel production and the proposed exception of book-and-claim limitations for RNG and landfill gas projects that are used as feedstock. However, we are concerned that restricting unlimited book-and-claim to hydrogen feedstocks will disincentivize construction of new RNG and landfill gas projects given the lack of opportunity for investors to diversify revenue streams. While the intent of the exemption is to support RNG and landfill gas as inputs, we feel strongly that it will ultimately impede the feedstock supply needed for renewable hydrogen production. To the extent that these new provisions for book-and-claim move forward, STX urges CARB to continue the 10-year crediting period through 2030 to give the market time to adjust.

Lastly, California's LCFS program supports RNG and landfill gas projects across the country and California prides itself on 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 and we look forward to our continued participation in the rulemaking process. Please do not hesitate to reach out if you have any questions.

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