



**April 16, 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=A](https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=lcfs18&comm_period=A)

**RE: PROPOSED AMENDMENTS 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 Amendments to the Low Carbon Fuel Standard (LCFS) Regulation posted March 6, 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 amendments 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.

**2019 THROUGH 2030 CARBON INTENSITY DECLINE**

The RNG Coalition SUPPORTS the proposed amendment to strengthen the overall program target to a 20 percent reduction in fuel carbon intensity by 2030 and asks CARB to consider further increasing the target. Research indicates that there is enough alternative fuel available in California to support a 26 percent reduction under a high-performance scenario and a 22

percent reduction under a steady progress scenario.<sup>1</sup> **The RNG Coalition asks that CARB consider increasing the target to no less than a 22 percent reduction in fuel carbon intensity by 2030.**

The RNG Coalition OPPOSES the proposed amendment to smooth the near-term benchmark schedule by linearly and annually reducing 1.25 percent from a 5 percent reduction in 2018 to the 20 percent value in 2030. The value of RNG, underwritten by environmental policy and driven by monetization of related environmental attributes in associated credit markets, is highly sensitive to public policy changes, whether speculative, proposed or actually adopted. As such, the proposal to weaken the 2020 target from a 10 percent reduction to a 7.25 percent reduction has the potential to significantly undermine the market for LCFS credits generated by from RNG. **The RNG Coalition asks that CARB consider keeping the current 10 percent reduction target for 2020 in place with amendments to add a linear reduction benchmark schedule thereafter.**

## **CREDITING FOR INNOVATIVE ACTIONS AT CONVENTIONAL FUEL REFINERIES**

The RNG Coalition SUPPORTS the proposed changes to the Refinery Investment Credit Pilot Program (RICPP) to focus the provision on innovative changes at refineries. Specifically, we support the ability of refiners to generate credits for fossil fuel substitution by renewable fuels, including RNG, for process energy. The benefit of fossil fuel substitution is that it takes advantage of existing refinery equipment and involves no process or capital changes while still providing lifecycle carbon-intensity reductions.

## **ADDITION OF THIRD-PARTY VERIFICATION**

The RNG Coalition SUPPORTS the intent of your proposal to supplement the work of CARB staff with a verification system that would require regulated entities reporting to CARB under the LCFS to retain the services of independent third-party verifiers. However, the proposed ongoing Carbon-Intensity (CI) recalculation and verification of existing fuels produced and delivered from operational facilities has the potential to add substantial cost and foster perpetual uncertainty around the LCFS credit market, including but not limited to LCFS credits generated by RNG.

We are also concerned that few parties may be qualified to perform such services. To our knowledge, the few firms that are qualified already provide such verification services for most RNG producers and transportation fuel marketers. The proposed conflict of interest provisions have the potential to remove knowledgeable parties as resources in the market, further driving up costs and unreasonably restricting verifiers from working on unrelated projects.

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<sup>1</sup> [https://nextgenamerica.org/wp-content/uploads/2018/03/Cerulogy\\_Californias-clean-fuel-future\\_March2018-1.pdf](https://nextgenamerica.org/wp-content/uploads/2018/03/Cerulogy_Californias-clean-fuel-future_March2018-1.pdf)

The RNG Coalition asks that you consider implementing the proposed third-party verification requirement on a trial basis with a commitment to re-visit the parameters and review stakeholder input after some predetermined period of time in order to develop an optimal third-party verification system. During this trial period, credits would not be invalidated due to unforeseen impacts associated with the implementation of third-party verification.

## **BUFFER ACCOUNT**

The RNG Coalition SUPPORTS the intent to ensure the environmental integrity of the program behind your proposal to create a buffer account during instances of credit invalidation by populating an account to utilize stranded credits, such as those credits remaining in deactivated LRT-CBTS accounts. However, during instances in which real GHG emissions result from the difference between a verified operational CI and an annual Fuel Pathway Report, the RNG Coalition asks ARB to consider that credits transferred to the buffer account be limited to six months of generation, with the remaining credits given to the generator. This system would leave in-tact the ability to populate the buffer account, while also creating some incentive for the generator to outperform the verified operational CI whenever possible.

## **RNG STORAGE TIMING LIMITATIONS**

Per 95488.8 (i)(2), RNG injected into the common carrier pipeline can be reported as dispensed RNG without physical traceability within a two-quarter timespan. If a quantity of RNG is injected in one calendar quarter, the quantity claimed for LCFS reporting must be matched to natural gas sold as vehicle fuel in California no later than the end of the following calendar quarter. We believe that this two-quarter limitation is extremely constrained for dairy RNG projects and may cause business difficulties during the project registration period.

At the beginning of any dairy RNG project, three months of operating data must be provided to CARB to obtain a provisional CI. If facility commercial date of operation were to take place at the end of a calendar quarter, a producer then spends 3 months collecting data for the provisional pathway application while storing the produced RNG. This leaves a month or less to work with CARB to obtain provisional approval and begin to sell RNG in California before the project loses rights to its environmental attributes. This is an extremely short amount of time to work with CARB and obtain a provisional pathway. Furthermore, 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. We recommend extending the time period that new projects are able to claim the environmental attributes using the book-and-claim method. We also recommend allowing projects undergoing an application for a provisional CI the ability to claim environmental attributes for their stored for the current calendar quarter and the following calendar quarter, beginning when the provisional CI is awarded to the project. This will allow projects to retain full value of their environmental


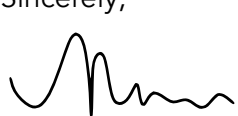
attributes for their stored gas for two quarters while mitigating any unexpected complications or delays that may arise during the registration process.

## **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 Amendments 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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