VIA ELECTRONIC FILING

October 16, 2024

Matthew Botill
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Anew Climate Comments on the Proposed Low Carbon Fuel Standard Second 15-Day Amendments

Dear Mr. Botill:

Anew Climate, LLC ("Anew") is one of the largest climate solutions providers in North America and has an established track record of participating in California's various sustainability programs, including the Low Carbon Fuel Standard ("LCFS").

We would like to thank the California Air Resources Board ("**CARB**") **and its staff** for the hard and diligent work associated with proposed amendments to the LCFS in response to the 2022 Scoping Plan Update. Anew shares CARB staff's dedication to ensuring that the LCFS continues to play a significant role in decarbonizing California's transport sector and helping California achieve its ambitious climate goals. We have appreciated the multiple opportunities available to engage in the process with written comments. Anew supports key features of the proposed LCFS revisions. **However, we urge CARB to reconsider certain RNG-specific provisions** during the implementation phase and future LCFS rulemakings.

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We Support Key Features of the Proposed LCFS Revisions

Anew supports many of the key features in the proposed LCFS revisions that are intended to make the program more effective and durable by ensuring continued investment in low-carbon fuels and fuel technologies. We support the following proposals:

- **The immediate step-down of CI targets by 9%, effective January 1, 2025**, because this is critical to the LCFS program's continued success. This is one of the most consequential and important steps CARB is taking in this rulemaking process, and it is vital to the future of the LCFS program.

- **The 30% reduction in carbon intensity by 2030**, because this sets California on a path to meet its ambitious target of at least a 40% reduction in economy-wide GHGs by 2030 and carbon neutrality by 2045. Strong CI reduction goals will continue to accelerate carbon reductions in the transportation sector while establishing clear market signals that will drive innovation and investments. We are also supportive of the proposal to smooth out the compliance target curve between 2025 and 2030 as included in the 15-Day Package.

- **The Automatic Acceleration Mechanism**, because it will bring additional stability to the market. We also support the recent proposed change to perform a look back covering the previous four quarters worth of data on a quarterly basis (instead of once per calendar year). This allows the AAM to be triggered up to three quarters sooner, giving more notice to market participants and providing market certainty for both low carbon fuel producers and obligated parties. To avoid confusion, we suggest CARB clarify that the benchmark schedule update to the LCFS website and AAM trigger announcement occur at the same time.

- **The Full Credit True-up** for temporary pathways, because such a concept can ensure that the LCFS program correctly accounts for the full GHG benefits all fuel pathways produce.

Along with the revisions noted above, we would like to express our appreciation to CARB staff for reiterating its support for RNG throughout the informal workshop process and in the proposed 45-day and the two 15-day changes. We also appreciate CARB's continued recognition that LCFS crediting does not incentivize increased farm sizes, and we urge the Board to stay the course towards realizing the full climate benefit of the substantial investments made to avoid methane emissions to date, providing investors with the clarity and confidence necessary for continued development.

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We Encourage Additional Engagement on RNG Issues During the Implementation Phase and in Future LCFS Revisions

We would like to highlight a few RNG-related issues that should be addressed in the implementation phase of the proposed LCFS revisions, or in future regulatory revisions made in the near term. During the implementation phase and future rulemakings, we urge CARB to remain true to the principles of fuel neutrality, basing LCFS crediting on science and carbon intensity scores, and to leverage the program to continue driving private investment into low carbon fuels and technologies, which requires near-and long-term investment certainty. Anew looks forward to continued engagement with CARB staff on these points.

1. **We Continue to Oppose Any Arbitrary End Date for Avoided Methane Crediting and Oppose Reduction of Eligible Crediting Periods from Three to Two**

We strongly urge CARB to refrain from imposing any arbitrary end-date for avoided methane crediting. We opposed the staff proposal in the first 15-Day Package to cut down the number of avoided methane crediting periods from three to two for projects that break ground before January 1, 2030. In the second 15-Day Package, staff clarified that projects that are certified before the effective date of the proposed revisions would be eligible for three consecutive crediting periods. We oppose limiting eligibility to to "certified" projects because it is not clear in this context what "certified" means, and this change could significantly impact existing projects. This is true especially for projects that have already been in operation for several years and which could unexpectedly have less than a full crediting period of eligibility remaining. This limitation would punish early-mover projects that originally operated in the voluntary market, making the continued operation of such projects highly uncertain and potentially leaving important methane abatement opportunities unrealized.

While we oppose putting any end-date on avoided methane crediting, we recognize that CARB has faced unsubstantiated criticism and repeated calls for an immediate or near-term phase-out. We have previously applauded CARB for taking a measured position in support of avoided methane crediting generally and opposing any near-term phase out. Cutting down the number of crediting periods from three to two is a step in the wrong direction. We strongly urge CARB to clarify how existing projects may benefit from three consecutive crediting periods during the implementation phase of the proposed LCFS revisions.

2. **We Oppose Flow Direction Requirements for Delivery**

CARB should maintain eligibility for delivery of biomethane from all sources. We therefore oppose CARB's proposal to impose directional flow requirements on deliveries from biomethane projects that break ground in 2030 or later. We further oppose the new proposal in the 15-Day Package to pull the deadline for indirect accounting of bio-CNG, bio-LNG, and bio-LCNG forward from December 31, 2040 to December 31, 2037, depending on progress toward full implementation of the State's medium and heavy duty zero emission vehicle regulations.

We appreciate that CARB has resisted pressure to include immediate directional flow requirements for biomethane pathways, and that the proposal would not impact any biomethane fuel pathways for projects that break ground before January 1, 2030. However, we do not agree with CARB's decision to impose directional flow requirements on deliveries from biomethane projects that break ground in 2030 or later. Given the realities of the interconnected U.S. gas market, the 50% directional flow requirement is arbitrary and provides preferential treatment to fossil gas imported to California relative to imported RNG.

We would like to continue to engage with CARB staff on this point with a view to include modifications in future LCFS revisions.

3. **We Oppose the 4x Penalty for CI Exceedance**

We continue to oppose the proposed approach requiring a 4x "pay back" in cases where a verified CI exceeds the certified CI. As we have stated previously, this is overly punitive and not symmetrical. Instead, we recommend that if the verified CI is higher than the certified CI, the project should simply repay CARB for any excess credits claimed, and not be subject to any further enforcement liability unless there is malfeasance or other conduct contrary to the objectives of the program.

Anew is proactively developing an updated CI management approach to ensure we continue to provide maximum value recognition potential to our partners coupled with compliance risk mitigation. We would appreciate the opportunity to continue engaging with CARB staff on this topic during the implementation phase and future anticipated LCFS revisions.

4. **We Urge CARB to Improve Aspects of the Tier 1 CI Calculator for Dairy and Swine Manure Biomethane During Implementation of the LCFS Revisions**

Anew requests that CARB allow fuel pathway applicants to submit site specific inputs to demonstrate digester leakage emissions on the 'Avoided Emissions' tab. This would allow projects to provide actual operating values that may differ from the default values of 2% for enclosed vessels and 5% for covered lagoons.

Entry of Site-Specific Cleanout Frequency in Tier 1 Calculator or via Tier 2 Application

Regarding GREET inputs for L1. (1-6).14 Retention Time and Drainage, it is Anew's understanding that in the proposed GREET calculator for each September, "System Emptied in This Month" must be selected by the fuel pathway applicant. This assumption requires that all projects model their operations to include a complete annual cleanout of volatile solids. A complete annual cleanout is currently only required as a baseline assumption for greenfield projects in Table A.10 of the Compliance Offset Protocol for Livestock Projects.

The implementation of this proposed default assumption could result in non-greenfield projects being certified with a carbon intensity that is not representative of normal operating conditions. It could also result in a project's baseline methane emission levels being set below what would have otherwise been emitted to the atmosphere. This proposed default assumption may be more applicable to the average dairy operation, but the same conclusion is not as appropriate for the average swine operation. Swine industry leaders and project operators have expressed that lagoons are cleaned out far less frequently than annually over a 10 to 15-year time frame. Therefore, on the 'Manure-to-Biogas (LOP Inputs)' tab, applicants should be able to enter the project-specific lagoon cleanout frequency for swine livestock populations in the Tier 1 Calculator. Applicants should be able to select from lagoon cleanout frequencies that are less frequent than annual and have default inputs "amortized" according to CARB's current guidance document.

Anew appreciates CARB's intention to simplify and streamline the project registration process, but it is unclear whether CARB considered that this could come at the expense of swine projects. To accurately reflect actual operating conditions of swine manure projects and minimize pathway registration processing time, we urge CARB to consider allowing applicants to enter actual cleanout frequencies by project in the Tier 1 Calculator.

5. **EV Considerations**

Anew is supportive of the additions and latest modifications CARB has made to the Fast Charging Infrastructure ("FCI") credit opportunities for light, medium, and heavy duty charging, including the provisions allowing a designee to apply for and generate credits, as well as the ability to allocate base credits to the vehicle manufacturers. Anew opposes the requirement that multi-family residential charging must be in non-designated spaces to qualify as non-residential charging. Anew disagrees with the shift of default credit generator away from the forklift owner. Anew appreciates the clarification that EV verifications will require visits to the central records location with discretionary visits to EV charging facilities, but continues to be concerned regarding uncertain facility verification requirements given the large costs multiple verifications would impose on credit generators with large numbers of smaller sites or on customers with secure or limited-access operations where site visits by a third-party could be impactful to operations or security.

We thank CARB for its important work in implementing the LCFS program. Should you have any questions about anything we have stated here or require further clarification, please contact Andrew Brosnan at abrosnan@anewclimate.com.

Sincerely,

Anew Climate, LLC