

Dr. Cheryl Laskowski
LCFS Branch Chief
California Air Resources Board

March 15, 2023

Via electronic submittal: [LCFS Comment Docket](#)

Re: Rondo Energy, Inc. Comments to February 22, 2023 Workshop: Potential Regulation Amendment Concepts

Rondo Energy, Inc. (Rondo) appreciates this opportunity to submit comments regarding regulatory amendment concepts to the LCFS regulation. Rondo supports CARB's ongoing efforts to solicit the latest information and the lowest-cost, lowest-risk pathways to achieve California's climate, environmental, and economic goals. Rondo submitted previous comments to earlier LCFS workshops and incorporates them by reference here.^{1,2,3,4}

About Rondo

Rondo is a California-based company delivering zero-carbon energy for industrial processes and power generation, including for traditional and renewable transportation fuels and feedstock production. The Rondo technology allows for the replacement of fossil fuel combustion with renewable industrial heat. The 2022 Scoping Plan Update highlights the need to replace traditional combustion technology, and Rondo is proud to be on the front edge of this transition.

Historically, it has been difficult to curb refining, biofuel facility and feedstock extraction emissions because of a lack of industrial heat solutions that can cut across various industries. The emergence of indirect industrial electrification technologies, including the Rondo Heat Battery, or RHB, provides an immediately feasible, cost-effective, and equitable way to decarbonize across the numerous and diverse industries that collectively contribute a significant portion of California's GHG emissions.

Comments

Comment #1: Rondo is highly supportive of CARB's efforts to stabilize the credit-deficit balance.

Rondo's decarbonization technology is meaningfully enabled by the LCFS credit marketplace. The LCFS creates a long-term, reliable economic value proposition for Rondo's customers to decarbonize, and as a result Rondo is actively engaged in decarbonizing California transportation fuels. A Rondo Heat Battery project, with its associated large solar and wind projects, is essentially pre-paying for 40 years of process heat energy. Near-term price support with long-term assurance is therefore critical to funding decarbonization today. A stable credit-deficit balance ensures that decarbonization investments remain attractive for California's fuel sector.

¹ <https://www.arb.ca.gov/lists/com-attach/51-lcfs-wkshp-oct20-ws-U2EGMAExB2UBN1Jh.pdf>

² <https://www.arb.ca.gov/lists/com-attach/77-lcfs-wkshp-aug18-ws-BzVTZ1dmA2kFMggx.pdf>

³ <https://www.arb.ca.gov/lists/com-attach/151-lcfs-wkshp-dec21-ws-ATNWIYIFgBWcBNwA3.pdf>

⁴ <https://www.arb.ca.gov/lists/com-attach/36-lcfs-wkshp-nov22-ws-UGJTZ1xsVDVXYAI3.pdf>

Rondo appreciates and supports CARB’s proposals to restore equilibrium in the credit marketplace, and believes that interventions that strengthen the price signal in the near-term are particularly important. Extended periods of low prices reduce market confidence in the mechanism, which jeopardizes the ability for decarbonization projects to get financed and built. Stabilizing the credit-deficit balance will unlock projects set to deploy over the next 1-3 years – a particularly critical window in California’s efforts to reach its decarbonization goals.

Comment #2: Additional clarification is needed on the proposed phase-out of crediting for petroleum projects by 2040.

CARB has long emphasized the importance of program stability and investment certainty, which Rondo considers to be the most important features of the LCFS mechanism. Program phase-outs, when introduced without explicit guidance on structure or timing, can threaten that stability and investment certainty. Recent workshop slides⁵ and draft regulatory text⁶ propose that Petroleum Project crediting under Section 95489 be phased out by 2040, without providing guidance on what that phase-out will look like. This lack of clarity reduces today’s investment in decarbonizing petroleum projects because investors do not have clarity over the lifetime of the project.

Rondo recommends that CARB provide specific guidance on the timeline and mechanics of all program phase-outs. Any design of a phase-out mechanism (e.g. whether crediting ends immediately at the phase-out date, or whether there will be a phase down period) should be clearly stated in advance. Within this guidance, Rondo respectfully proposes clarifying that legacy projects—those that began while a given program was still included in the LCFS—continue to generate credits for the lifetime of the project. This serves the benefits of providing investment certainty for existing facilities, and enabling the deployment of projects prior to the phase-out date and rewarding early adopters that then enable learning curves and broader market adoption in non-petroleum projects.

Finally, Rondo recommends that CARB limit the use of phase-outs to the extent possible. Each project represents a different contribution to the state’s transportation emissions. Retaining eligibility for all types of projects will allow CARB to set more aggressive CI reduction curves as part of its forward-looking rulemaking efforts.

Conclusion

There are myriad benefits to generating industrial heat with renewable energy instead of fossil fuels. In addition to the significant GHG emissions reductions, eliminating combustion for thermal loads has direct local air quality benefits in the state’s most impacted communities. The strength and stability of the LCFS are at the heart of this transition.

Thank you for the opportunity to provide these comments. We look forward to continued discussions.

Sincerely,
/s/

John O’Donnell
CEO, Rondo Energy, Inc.

⁵ https://ww2.arb.ca.gov/sites/default/files/classic/fuels/lcfs/lcfs_meetings/LCFSpresentation_02222023.pdf

⁶ https://ww2.arb.ca.gov/sites/default/files/2023-02/LCFSRegulatoryText_02222023_0.pdf

