



March 6, 2020

Rajinder Sahota
Division Chief, Industrial Strategies Division
California Air Resources Board
1001 I Street – P.O. Box 2815
Sacramento, CA 95812

Re: Comments on the February 20, 2020 Carbon Neutrality Workshop

Dear Ms. Sahota:

These comments are respectfully submitted on behalf of Pacific Gas and Electric Company (PG&E) and Southern California Gas Company (SoCalGas). We appreciate this opportunity to comment on the Air Resources Board's (ARB) February 20, 2020 workshop on Meeting California's Carbon Neutrality Goals: Approaches for the Industrial Sector (Workshop).

PG&E and SoCalGas believe that an increasingly decarbonized natural gas sector can play an important role in achieving the State's climate goals. In particular, renewable natural gas (RNG) can help significantly reduce GHG emissions by capturing and providing a beneficial use for short-lived climate pollutants (SLCPs) that are currently being released directly into the atmosphere as methane or flared. As discussed in this and previous workshops, the industrial sector faces many challenges to decarbonization. Compared to some of the decarbonization options highlighted on Slides 9 and 10 of the staff presentation, RNG is a drop-in fuel that is completely interchangeable with traditional natural gas, requires no changes to infrastructure and is immediately available. However, renewable fuels are currently more expensive than traditional fuels outside of the subsidized transportation sector and options to decrease the costs of renewable fuels for stationary end-uses must be explored.

Providing allowances through ARB's Cap-and-Trade Program is one approach to help mitigate some of the additional cost of renewable fuels and technologies. PG&E and SoCalGas appreciate staff's presentation¹ of two ways allowances from the Cap-and-Trade Program could be utilized for this purpose. The second option of setting aside a pool of allowances for natural gas suppliers

¹ ARB, "[Meeting California's Carbon Neutrality Goals: Approaches for the Industrial Sector](#)", February 20, 2020, Slide 27

to make renewable fuel use more cost-effective and help decarbonize the natural gas supply is also in line with the direction of Board Resolution 17-21.²

Additional thought is warranted for both approaches, and we will provide further input to ARB as we continue to evaluate them. It would be helpful to get clarification on what ARB means by “setting aside a pool of allowances” in this context. PG&E and SoCalGas will also continue to consider additional options to support the decarbonization of the natural gas sector and industrial sector.

We thank ARB for providing a forum to discuss these critical issues and look forward to providing further input on how to incentivize additional GHG reductions while protecting Californians from excessive costs.

Sincerely,

Mark Krausse

Mark Krausse
Director, State Agency Relations
PG&E

Tim Carmichael

Tim Carmichael
State Agency Relations Manager
SoCalGas

² ARB Board Resolution 17-21, pg. 13: “Be it Further Resolved that the Board directs the Executive Officer to work with natural gas utilities to evaluate and propose, as necessary, post-2020 program regulatory amendments to ensure adequate rate payer protection as the State pursues strategies to decarbonize the natural gas system.”