**November 18, 2019**

Mr. Jim Duffy

Chief, Transportation Fuels Branch

California Air Resources Board

1001 I St, Sacramento, CA 95814

**RE: Comments on October 2019 Proposed CARB LCFS Regulation Amendments**

Dear Mr. Duffy,

The Coalition for Renewable Natural Gas[[1]](#footnote-1) (RNG Coalition) offers this letter in continued strong support of the California Air Resources Board (CARB) Staff’s concept for additional credit price containment within the Low Carbon Fuel Standard (LCFS). The LCFS Regulation Amendments (Proposed Rule), dated October 1, 2019, is a useful addition to an already successful LCFS program.

***We Support Appropriate Price Ceilings and Floors in Credit Markets to Increase Investor Certainty***

The RNG Coalition supports the creation of credit-price-containment mechanisms in tradeable environmental credit markets—both generally and as outlined specifically by the Proposed Rule for the LCFS. Such features can increase investor certainty in credit markets and provide consumer protection.

Any such cost containment mechanisms should be designed so that operating low carbon fuel projects have ample opportunity to monetize the credits—which they’ve generated from proven emission reductions—prior to the availability of additional flexible compliance options, such as forward crediting of future greenhouse gas reduction from electric vehicles. We believe the existing Credit Clearance Market and the Proposed Rule will fit well together in this regard.

***The Price Ceiling Level and Mechanics are Appropriate***

Specific to price ceilings, we believe they should be set at a level that can reasonably expect to draw significant new supply of low carbon fuels into the market. The existing maximum price in the LCFS’s credit clearance market satisfies this test for RNG projects—especially assuming some complementary revenue from the Federal Renewable Fuels Standard.

Any firm ceiling price must also remain well above the upper bounds of a credible assessment of the long-run social cost of carbon.[[2]](#footnote-2) Tying the ceiling price to a strong upper bound estimate of the social cost of carbon ensures that investments that cost-effectively help address the potentially catastrophic environmental damages associated with climate change are properly valued and incented.

***The Proposed Rule Encourages Investment in RNG***

Firming the ceiling price in the Proposed Rule allows for easy calculation of the maximum revenue for developers of new projects and sets expectations for all counterparties engaged in credit generation and sales.  Given that the cap is set at a level that is sufficient for many projects to work financially, having such a cap will actually help financial products develop around LCFS because one leg of uncertainty has been removed.[[3]](#footnote-3)  Development of financial products will increase “financeability” of RNG projects, in turn leading to more projects being built.

On behalf of the Coalition for Renewable Natural Gas, thank you very much for the opportunity to comment. We look forward to the continuing dialogue on these issues.

Sincerely,

**Nina Kapoor**

Director of State Government Affairs

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1. The Coalition for Renewable Natural Gas is a California-based nonprofit organization representing and providing public policy advocacy and education for the Renewable Natural Gas (RNG) industry. We advocate for the sustainable development, deployment and utilization of RNG, so that present and future generations have access to domestic, renewable, clean fuel and energy in California and across North America. [↑](#footnote-ref-1)
2. The LCFS ceiling price of $200/credit (in 2016 dollars) meets this test. [↑](#footnote-ref-2)
3. Floor prices, and other mechanisms to hedge downside price risk, would also be helpful in increasing investment certainty and motivating project development using credit revenue. We support continued work in this area as discussed in CARB Staff’s whitepaper on pilot financial mechanisms. <https://arb.ca.gov/cc/shortlived/final_sb1383_financial_pilot_mechanism_whitepaper.pdf> [↑](#footnote-ref-3)