February 15th, 2024

The Honorable Liane Randolph
Chair California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Chair Randolph:

As a developer of dairy digester RNG and biogas to electricity projects for EV charging in West Coast states, Promus Energy appreciates the opportunity to comment on the proposed changes to the CA Low Carbon Fuel Standard (LCFS). Promus values CARB's serious consideration and incorporation of feedback provided by us and other stakeholders as revisions to the LCFS program have been carefully crafted over the last several years.

Promus is pleased with CARB's proposed changes that will support the LCFS credit market and send the long-term market signals investors need to fund low carbon intensity (CI) fuel development projects.

Carbon Intensity Target Adjustments and Impact on Credit Prices:

We support incorporation of a one-time 5% "step down" in the CI target in 2025.

- This step down, and the subsequent anticipated increase in LCFS credit pricing, would jumpstart investment in low-CI projects and bolster the confidence lenders need to fund these projects.

However, Promus is concerned that CARB's analysis shows credit prices will dip to levels around $76 by 2030.

- Prices dipping this low by 2030 after their projected increase in 2025 makes it difficult for lenders to have sufficient confidence that low CI fuels projects will produce strong enough financial returns in the near term. While anticipated credit prices in 2025-2027 are at levels that support low CI fuels projects, these prices do not stay high long enough to generate attractive returns on project investments and inspire lender confidence.
- Promus urges CARB to consider ways to minimize or eliminate the dip in credit prices by 2030, such as by setting a greater than 30% CI reduction target by 2030 sufficient to restore and stabilize healthy credit pricing. BTR's analysis presented during the May 2023 LCFS workshop indicated that a 2030 CI reduction target of greater than 30% will be required to prevent the credit bank from growing again within just a few years after the one-time step down. Preventing renewed growth of the credit bank is essential to supporting healthy LCFS credit market dynamics. Promus supports a CI reduction of 35% by 2030 to ensure strong short- to medium-term credit prices needed to spur investment in low CI fuels projects.[1]

[1] https://ww2.arb.ca.gov/sites/default/files/2023-05/BTR_052323.pdf

Clarification Needed for Biomethane Avoided Emissions Crediting:

Promus appreciates that CARB is extending up to three ten-year crediting periods for biomethane avoided emissions crediting for projects that break ground before 2030. However, we ask that CARB clarify a few points:

- Will the three ten-year crediting periods for avoided emissions crediting also extend to biomethane to electricity for EV charging pathways, or will they only apply to biomethane to CNG, LNG, and Hydrogen pathways? Certainty for these crediting periods is essential for the financeability of biomethane to electricity projects and the reduction of electricity CI for EV charging.
- The following statement in the Proposed Regulation Order that describes the three ten-year crediting period suggests that a project needs to be certified by 2030 for it to be eligible: "The Executive Officer may renew crediting periods for fuel pathways certified before January 1, 2030, for up to three consecutive 10-year crediting periods."[2] However, this conflicts with statements later in that section and in other documents that suggest that the project must only have broken ground by 2030 to be eligible for the three ten-year crediting period. Could you please clarify the eligibility requirements?

We appreciate the opportunity to provide feedback on the proposed changes to the LCFS program.

Thank you for your consideration.

Sincerely,

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[2] https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/lcfs_appa1.pdf, Page 166