



August 8, 2022

VIA ELECTRONIC FILING

Cheryl Laskowski
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Low Carbon Fuel Standard July 2022 Workshop

Dear Ms. Laskowski:

The Coalition for Renewable Natural Gas (RNG Coalition) is a California-based nonprofit organization representing and providing public policy advocacy and education for the Renewable Natural Gas (RNG) industry.¹ 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.

RNG Coalition respectfully submits these comments to the California Air Resources Board (CARB) in response to the Low Carbon Fuel Standard (LCFS) workshop held on July 7, 2022 (the Workshop). The LCFS program is a key driver of growth in the Renewable Natural Gas (RNG) industry, and we appreciate CARB's commitment to continuous improvement of the underlying regulatory framework—both overall and with respect to the program's RNG-specific features.

CARB Should Develop a Comprehensive Analytical Framework to Explore Targets Beyond 30% by 2030

Governor Newsom's recent call² for bold action to accelerate progress toward California's climate goals—including through strengthening of the LCFS—is extremely well timed and appropriate. The climate crisis is accelerating, the LCFS credit market indicates that greater ambition is possible, and recent potential action through tax policy³ at the federal level reinforces that an aggressive Californian shift toward clean fuels will be even more feasible than previously believed.

¹ For more information see: <http://www.rngcoalition.com/>

² <https://www.gov.ca.gov/2022/07/22/governor-newsom-calls-for-bold-actions-to-move-faster-toward-climate-goals/#:~:text=In%20a%20letter%20to%20the,plan%20incorporate%20new%20efforts%20to>

³ https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_of_2022.pdf

The initial range of possible 2030 LCFS targets (between 25-30%)⁴ discussed at the Workshop is a helpful starting point, but preliminary modeling conducted by many of our member companies indicates that even such a range of increased stringency may not be sufficient to bring the program back into balance (if a large enough surplus of credits is built prior to the rule change) and is certainly not the upper end of what could cost effectively be achieved if all low carbon fuels perform well.

Look At Enhancing Near Term Stringency as well as Setting Ambitious Long-Term Goals

Simply put, the LCFS is significantly exceeding expectations and low carbon fuels are coming to market much more quickly, and in greater volumes, than CARB previously anticipated.⁵ This rapid progress should be applauded, but adjustments to the program's targets are consequently needed, including in the near-term.

We recommend that CARB be clear about their intent to increase stringency in the program's targets both pre- and post-2030. For our members making investment decisions on RNG projects today, the credit and deficit balance in the near term (i.e., starting with 2024) are even more important than the 2030 milestone year, because use of the bank of surplus credits must occur to bring the program back into balance and create demand for additional RNG production.

We suggest that CARB staff include a clear statement in the next workshop that the near-term targets (2024 targets and all subsequent years before 2030) will also be subject to adjustment. High levels of price volatility in the system does not benefit anyone, so the earlier that a range of potential near-term future targets can be established, the better, and clarity on this topic will assist the marketplace in building out appropriate scenario analysis.

Annual Targets are Appropriate, Even for Long-term Goals

At the workshop CARB staff discussed the possibility of establishing five-year target windows post-2030.⁶ We don't see any obvious conceptual benefit to five-year targets compared to setting annual targets for all years on the path toward a 100% CI reduction by 2045.

RNG Producers understand that we must remain prepared and open to revisions or adjustments to the long-term goals through future rulemakings—and especially in line with Scoping Plan cycles that must occur no less frequently than every five years—but that does not mean that decreased precision is helpful or necessary in the targeted values for CI decline in the out years.

Setting targets and sticking to them, whenever possible, is important for investment certainty, but so is correctly adapting to unprecedented situations and shifts in other related commodity markets. For example, it would have been extremely difficult to correctly forecast the recent demand destruction for

⁴ Workshop slide 12.

⁵ Workshop slide 6. CARB's Draft Scoping Plan (DSP) also clearly states that the LCFS is overperforming (i.e., delivering more emissions reductions) than anticipated in prior Scoping Plans. See the Draft Scoping Plan at Page 56. <https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents>

⁶ Workshop slide 14.

fuels created due to COVID stay at home orders, or the extremely high oil prices driven by the Ukrainian conflict.

Using a structured and transparent revisiting process for the LCFS targets, in line with the Scoping Plan iterations, should offer all parties the needed certainty to make the appropriate level of investments in the low carbon fuels needed to achieve California's goals.

A Detailed Analytical Tool from CARB to Manage Stakeholder Input on these Issues Would be Helpful

We recommend that CARB build out an analytical framework to provide clarity to all stakeholders with respect to how CARB staff will conduct scenario analysis to inform decision making in the rulemaking related to the level of ambition of future LCFS targets.

Such a framework was created for the last major LCFS rulemaking (in 2018),⁷ and it provided a valuable tool for stakeholders to understand CARB's underlying assumptions about the overall programmatic supply and demand balance, expected availability of low carbon fuels, rate of decline in the use of high carbon fuels (including due to non-LCFS regulatory drivers), and expected impacts of changes to other sources of credits.⁸ Standardizing the analytical discussion around the many moving pieces of the policy allows stakeholders to offer more constructive input to the rulemaking process.

We Recommend Additional Workshops to Further Refine Rulemaking Scope, Including at least one Meeting Focused on RNG-specific Issues

As CARB staff indicated at the Workshop,⁹ future workshops will be necessary to fully scope this rulemaking. We recommend at least one workshop devoted specifically to RNG issues, including:

- Ensuring all actual GHG benefits of RNG are fully recognized in the carbon intensity (CI) scoring.
- Streamlining CI scoring and RNG tracking tools and aligning such tools with RNG use in other sectors (e.g., utility procurement of RNG in California), and with Clean Fuel Programs outside of California where possible¹⁰
- Allowing RNG to more easily be recognized as an input into other low carbon transportation fuels

With respect to capturing all real-world benefits, CARB should adjust all crediting to be trued-up based on verified ex-post actuals (rather than ex-ante estimates) of carbon intensity.¹¹ Further, GHG

⁷ <https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/lcfs-regulation#:~:text=Illustrative%20Compliance%20Scenario%20Calculator>

⁸ Such as the Capacity Credits discussed at the workshop.

⁹ Workshop slide 2.

¹⁰ In line with the DSP's statements related to fostering "engagement with partners to develop and export policies" (see DSP at 19).

¹¹ As allowed in the proposed update to the Oregon Clean Fuel Standard program. See 340-253-1020(5) on page 168 of the proposed OR rule here: <https://www.oregon.gov/deq/rulemaking/Documents/cfp2022pnp.pdf>

accounting should be expanded to capture all digestate-related benefits of RNG projects, better address true methane capture rates due to RNG deployment, speed up pathway processing time, etc.¹²

The LCFS has become the gold standard for tracking the GHG benefits of RNG project development. CARB should continue to build upon this leadership and find ways to streamline, export and harmonize LCFS CI scoring tools, make use of leading environmental registries tracking RNG production volumes, and enhance the verification practices from the LCFS to reduce pathway processing timelines and to serve all end uses of renewable gases. If done well, this framework could create a standard method of incenting renewable gases across North America, lowering reporting barriers and costs and increasing the rate of RNG development.

Finally, the LCFS could be adjusted so that RNG can better receive recognition for use as an input to produce other renewable transportation fuels, such as sustainable aviation fuel or renewable hydrogen that are a focus of the pending climate tax credit package in the Inflation Reduction Act. The potential new Federal tax credit framework also promotes RNG projects to move toward carbon capture and sequestration, which would make a broader set of RNG facilities carbon negative. Aligning the LCFS with the incentives created by this new US tax policy would help reinforce RNG developers' interest in investing in these key strategies.

Conclusion

RNG Coalition thanks CARB for the opportunity to provide feedback on the July 2022 Workshop. We commend CARB for understanding the historical importance of the LCFS in promoting renewable gas use in California. Increased stringency in LCFS program targets is both an opportunity and a necessity as California plans for a full shift toward carbon neutrality.

Renewable gases, such as RNG and hydrogen, are poised to play a continued and growing role in the state's climate policies, and we look forward to an updated LCFS Program framework to help effectuate that outcome.

Sincerely,

/S/

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¹² See our January 7, 2022, comments for a more complete list of RNG-specific issues that could be addressed. <https://www.arb.ca.gov/lists/com-attach/91-lcfs-wkshp-dec21-ws-BTdWYldmUDIEMgE2.pdf>