February 16, 2024

Chair Liane Randolph and Members of the Board California Air Resources Board
1001 I St.
Sacramento, CA 95814

RE: Prairie Farms Dairy Comments on the Proposed Amendments to the Low Carbon Fuel Standard

Dear Chair Randolph and Members of the Board,

Prairie Farms appreciates the opportunity to comment on the proposed amendments to the Low Carbon Fuel Standard (LCFS). Prairie Farms are a farmer-owned cooperative. This means we are owned and operated by over 600 farm families who are critical members of society. They have selflessly taken on the tremendous task of producing nutritious, high-quality milk for a growing population, which requires being on the job 24/7, 365 days a year. We have represented American agriculture since our founding in 1938. Many of our dairy farms are operated by several generations of family members with roots dating back to the 1800s. On average, each farm milks around 120 cows and everyone pitches in to keep them happy and healthy - which means around-the-clock care

Prairie Farms applauds the leadership the California Air Resources Board (CARB) is taking on climate change and appreciates being a part of this important dialogue surrounding potential changes to the Low Carbon Fuel Standard (LCFS). The dairy industry has answered the call to action and is embracing environmental responsibility - from family farms in California, to farms across America. By installing and utilizing biogas systems, farms are offering practical solutions to the challenges CARB seeks to address.

With our support of CARB and the LCFS in mind, Prairie Farms would like to offer the following suggestions for improving the proposed amendments to the Low Carbon Fuel Standard:

Strengthening Carbon Intensity (CI) Targets

Prairie Farms applauds CARB and is encouraged to see that the proposed amendments aim to set more ambitious carbon intensity targets. A strong CI reduction target is a critical component for driving down (GHG) emissions in the transportation sector, reducing reliance on petroleum fuels, and transitioning to electric vehicles where feasible. However, we believe that there is both room and a need to go further. Using the numbers from CARB's Quarterly Summary Report and averaging the rate of credit growth over the past five available quarters, it shows that the current scale-up in the production of clean fuels will continue to generate low carbon fuel standard credits with the cumulative bank likely eclipsing 25 million by the end of 2024.[1] The proposed increase in stringency falls short of what the market can deliver, and as a result, is missing an opportunity to deliver millions of additional tons of reductions in greenhouse gas emissions called for in statute and further underscored in the update to the state's Scoping Plan as approved by the Board in December 2022.

Prairie Farms believes that there are two key adjustments that CARB can make to the stringency as part of the 15-day change process that do not require new economic or environmental analysis as they fall within the scope of the work CARB has already included in the Initial Statement of Reasons (ISOR), specifically, by increasing the step-down as well as pulling forward the effective date for triggering the Auto Acceleration Mechanism (AAM) CARB can "recapture" reductions in GHG emissions that will otherwise be lost with the current proposal. Doing so will also send a clear, and supportive market signal to continue investments in clean fuels that would otherwise be constrained and subdued by the current proposal.

Avoided Emission Crediting

The proposed amendments seek to phase out avoided emission pathways for projects that break ground after December 31, 2029, for biomethane used as a transportation fuel through 2040 and for biomethane used to produce hydrogen through 2045. Prairie Farms believes that this is inconsistent with the incentive-based approach outlined in SB 1383 and currently being implemented in California. Moreover, eliminating or phasing out the avoided methane crediting in the dairy sector would lead to an inability to meet the state's targeted methane reduction goals and result in significant dairy methane emissions leakage. Avoided methane crediting is a key component of dairy methane reduction incentives that has achieved significant reductions

[1] California Air Resources Board, LCFS Data Dashboard Figure 3 – Quarterly Summary Report. https://ww2.arb.ca.gov/resources/documents/lcfs-data-dashboard

to date and as stated previously, is one of the most effective tools to meet California's GHG goals.

According to a UC Davis analysis:

> . . . misguided efforts to change course by forced coercion to pasture-based operations, direct regulation of dairy farms, or limitation on dairy digesters incentives will not only fail to achieve the desired greenhouse gas emissions reductions but will exacerbate the problem by causing significant emissions leakage. Revenue streams that incentivize investment in biogas capture and beneficial use are critical. Phasing out of avoided methane crediting in the dairy sector would jeopardize existing projects, making them uneconomic in the long-term, and dry up investment capital for the additional digester projects sought by CARB to achieve the state's ambitious and aggressive targets.[2]

Avoided methane emissions are a critical part of science-based, life cycle assessments, and their inclusion in carbon intensity scores are consistent with internationally recognized standards of carbon accounting. The scientific evidence for this is robust and recognizes that the baseline includes methane emissions that would otherwise be released into the atmosphere. Recognizing methane and its role as a short-lived climate pollutant, while incentivizing its removal from the atmosphere, has proven highly successful in supporting the reduction of millions of metric tons of carbon dioxide equivalents. We strongly encourage CARB to continue its longstanding commitment to a science-driven framework that utilizes proven science including Argonne National Laboratory's GREET model.

Book-and-Claim and Deliverability Requirements

Book-and-Claim has allowed the LCFS to evolve by supporting investments in clean fuels that have helped the program remain one of the most influential and successful transportation decarbonization policies in the country. To date, CARB's approach to indirect accounting in the program has been pivotal to its success, including its principles of driving greenhouse gas emissions down, facilitating investments and production of clean fuels, and in supporting increased clean fuel options for consumers.

It remains to be seen if and how the proposed deliverability requirements can be harmonized with the California Public Utilities Commission SB 1440 program, as suggested. It has been clear over the past year that CARB was exploring potential deliverability requirements. However,

[2] Kebreab, Ermias, Ph.D., Mitloehner, Frank, Ph.D., and Sumner, Daniel A., Ph.D., Meeting the Call: California is Pioneering a Pathway to Significant Dairy Methane Reduction (December 2022), available at: https://clear.ucdavis.edu/news/new-report-california-pioneering-pathway-significant-dairy-methane-reduction

throughout that process an actionable plan outlining the strategy and evidence necessary for imposing delivery requirements never emerged. Rather, stakeholders continued to raise concerns about the lack of a feasible plan which continues with the ambiguity of proposed amendments. Therefore, Prairie Farms recommends that the deliverability requirement language be removed from the current amendments to allow for further stakeholder engagement to support a clear and actionable plan for consideration in a subsequent rulemaking.

True-up Provisions

The proposal includes true-up provisions where verified operational CI's are drawn on to potentially adjust the credits based on certified CI's. The proposal indicates that a shortfall (i.e., a verified operational CI that is higher than the certified CI upon which project credits were generated) is subject to a "penalty" that is 4 times the spread for the applicable volume of fuel. The rationale for a 4X spread is unclear as a smaller spread (e.g., 2X) serves as a significant disincentive to producers for being overconfident in their analysis. Further, the language indicates that in the event the operationally verified CI is lower than the certified CI (i.e., it failed to generate as many credits as it could have) the Executive Offer (EO) "may" make the appropriate adjustment (true-up) by awarding additional credits to the applicable fuel reporting entity. The word "may" should be deleted. If the operationally verified CI, including an affirmative verification statement, is lower than the certified CI that was the basis for credit generation, the EO "must" award the supplemental credits supported by the underlying documentation.

The concept of adjustment to credits based on operationally verified CI's is sound. However, limiting the proposal to certified CI's is a significant oversight. The proposal must be carried over and applied to temporary and provisional CI's as fuel providers may rely on these CI's for months, or even years, as more refined pathways are evaluated and subsequently approved by CARB.

Temporary CI's have been an important option under the program, but applicants can be reluctant to use them given the heavy credit discount relative to facility-specific provisional CI's. Correcting for any under (or over) crediting while a temporary CI is used will help streamline and simplify the program as well as send a stronger signal to the market that investments in clean low-CI fuels will be rewarded. Further, including temporary CI's as part of the true-up process will reduce the pressure on CARB from developers to process LCFS applications quickly which has been an ongoing and growing challenge under the program. The concept of adjusting the awarding of credits based on operationally verified CI's is a key principle that supports innovation and must be reflected from project initiation, where a temporary CI is used,

throughout the project's lifetime to properly account for and reward the associated reductions in greenhouse gas emissions. Credits should be awarded based on real-world operational experience and therefore adjusted accordingly when the temporary CI which is applied understates the benefits.

New Markets

As the technology in the transportation sector continues to evolve and advance towards lower carbon alternatives, Prairie Farms members and the rest of the dairy industry and are ready to serve these new markets, such as alternative jet fuel (AJF), low-CI hydrogen, as well as exploring opportunities where biomethane can be utilized outside of transportation. As these markets continue to grow, Prairie Farms asks CARB to remain mindful of the success of the historical framework of the program and to continue to apply it to these newer pathways and technologies, including the use of avoided emissions and book-and-claim.

Conclusion

Over the past year and a half, CARB staff have held numerous public workshops to gather feedback on potential changes to the program, and Prairie Farms is pleased to see that the rulemaking is nearing completion. Prairie Farms would like to underscore the importance of concluding this rulemaking as soon as possible. Any further delay to the rulemaking diminishes the necessary signal the market needs to facilitate and encourage continued investments in clean fuels. To continue the significant and unprecedented progress made by CARB and the dairy industry of California under the guidance and support of the CDFA, Prairie Farms urges CARB staff and the Board to finalize this rulemaking no later than the end of Q2 2024.

Thank you for the opportunity to comment on the proposed amendments, and we look forward to engaging with CARB staff on these topics.

Sincerely,

Samantha Bourke
Prairie Farms Dairy
Quality Program Coordinator
Producer Sustainability Coordinator