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Mr. Floyd Vergara

Division Chief, Industrial Strategies Division

California Air Resources Board
1001 I Street
Sacramento, CA 95814

**SoCalGas comments on Dairy & Livestock Greenhouse Gas Reduction Working Group**

Dear Mr. Vergara:

SoCalGas appreciated the opportunity to participate in the California Dairy & Livestock Greenhouse Gas Reduction Working Group (“Dairy Working Group”) meeting on May 23, 2017. SB 1383 establishes an integrated, multi-agency, multi-stakeholder process with an accelerated timeframe of deliverables, from policy recommendations to development of at least 5 dairy pilot projects starting 1/1/18. As such, the time frame to accomplish a significant amount of work is short.

The initial meeting on May 23 was an exciting start for this important effort and with so many capable people engaged, we should be able to make significant progress in the next several months. The subgroup process will be useful in helping move this work along.

In thinking about the subgroup process, SoCalGas has several recommendations. First, it would be helpful for Subgroup #2—Fostering Markets for Digester Projects-- to identify policies needed to support rapid development of dairy digester projects, as well as the renewable gas (RG) market more broadly.

Second, to the extent possible, we recommend that subgroup #2 engage in SB 1383/RG-- related proceedings at the CEC, ARB, and CPUC to ensure a coordinated and efficient policy development and implementation process. Through this engagement, subgroup #2 can contribute substantially by identifying gaps and opportunities for coordinating existing policies to reduce barriers, create benefits, and support the development of the RG market.

Third, SoCalGas encourages Subgroup #2 to consider the important role that the gas utilities can play in making the Dairy pilots as success. SoCalGas sees RG as the key to meeting CA’s climate goals. We made the following points at the May 23 workshop and would like to reiterate them here:

1)   We believe that there is great potential for RG in CA to decarbonize the natural gas system and contribute significantly to meeting CA’s climate goals.

2)   The dairy pilot projects **with pipeline injection** that SB 1383 requires the utilities to develop are an important component of the RG market and the success of the pilots is key to the success of the SLCP reduction plan.

3)   SoCalGas is interested in taking a leadership role in making sure that the dairy pilots are a success

Fourth, SoCalGas believes that is appropriate and recommends that the Sub-Group #2 address other technologies such as gasification and pyrolysis.

And finally, in order to realize all of the potential environmental benefits of turning dairy waste into biomethane, the pilots need to be structured carefully. We recommend that Subgroup #2 consider how best to structure the different dairy pilot project components, from production to conditioning to pipeline injection, as well as the assess following:

* 1. **Pilot Value** – the extent to which the project demonstrates a replicable model and promotes innovation;
	2. **Financial strength, experience and other appropriate performance metrics of the project sponsors** – to limit risk of non-performance or project failure, resulting in stranded ratepayer costs;
	3. **Project readiness** – to ensure timely execution;
	4. **Potential scalability** – this includes potential ability to facilitate the interconnection of additional biogas sources in the future;
	5. **Environmental, Community and economic benefits** – to optimize for local benefits like air and water quality improvement, job creation and in-state investment economic multipliers; and
	6. **Cost-effectiveness of greenhouse gas (GHG) reductions**
	7. **Transparency** – Data on cost, technology, etc, should be shared to ensure broad learning opportunities from the pilot
	8. **Customer protection and market development**
1. Manage the risk of stranded assets
2. A structure that incentivizes performance and project durability from producers
3. Cost recovery
4. Utility off-take agreements to enable project financing/viability for developers.

Thank you again for the opportunity to participate in the initial meeting and we look forward to engaging throughout the Working Group process.

Sincerely,

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