

August 26th, 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 15-day 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. We urge CARB to quickly finalize this urgently needed LCFS program rules package.

Carbon Intensity Target Adjustments

Promus supports CARB recommendation of a 9% CI reduction stepdown in 2025 to rapidly help bring credits and deficits into balance. However, as Promus and other interested parties have pointed out in past comment periods, a more aggressive 2030 target will be needed to prevent potential weakness in the credit market between 2025 and 2030. Promus recommends at least a 39% CI reduction target by 2030 to ensure both near- and medium-term strength in the credit market. A 39% CI reduction by 2030 is consistent with the 2 AAM trigger scenario CARB presented during the April 2024 workshop. While that scenario appeared very promising from the standpoint of drawing down the credit bank and keeping prices strong and stable long-term, the reliance in that scenario on the AAM triggering twice before 2030 adds an element of risk to investors looking at financing low carbon fuels projects. Rather than relying on AAM triggers – important as they are -- Promus believes that setting the 2030 target at a 39% reduction will give investors confidence that the credit market will be strong between now and 2030. CARB's August 12 Modification Uncertainty Scenario 1 with a single 2028 AAM triggering similarly presents short-term weakness in the credit market that would undermine investor confidence. Investors have not yet seen the AAM in action, therefore, setting a more aggressive 2030 target will ensure that credit price strength is not dependent on uncertain triggering of the AAM in the short-term.

The AAM proposed in the updated LCFS rules package is an absolutely essential reform to prevent a repeat of the boom-and-bust cycle that occurred after the 2017 LCFS amendments and to keep credits and deficits in balance. Promus joins other commentators in urging CARB to allow the AAM to trigger as soon as possible (before 2027) to prevent market instability within the next few years after the implementation of the new rules package.

Sustainability Guardrails on Crop-Based Biofuels

Sustainability guardrails on biofuels are appropriate to prevent adverse land use changes and to ensure that priority is placed on waste-based feedstock fuels that have a lower CI than crop-based biofuels. Biofuels play a critical role in decarbonizing the transportation sector, but CARB should place a priority

on leveling the playing field by fulling accounting for all externalities when calculating CI scores for biofuels in the GREET 4 calculator.

Dairy Biogas Avoided Emissions Crediting

Promus supports CARB's commitment to continue dairy biogas avoided emissions crediting. However, CARB's proposed elimination of a third crediting period raises the question of how dairy methane emission reductions will be sustained after 2045. An assured 20-year crediting period provides a solid foundation for biogas project financing, but the promise of longer-term crediting, or alternative incentives outside of the LCFS program, can prevent emissions backsliding and improve economics and investor interest in this space. Biomethane pathways (to RNG, hydrogen, electricity, etc.) are some of the only fuels that will be credit generators as the CI compliance curve approaches 90% by 2045. CARB's analysis and studies confirm that targeting avoided methane emissions produces the most bang for the buck and that it is needed to achieve the goal of a 90% reduction by 2045.

While CARB's support of avoided emissions crediting is necessary and appreciated, Promus strongly urges CARB to begin outlining and provide clarity around its desire to channel biomethane to other hard-to-decarbonize sectors. CARB has mentioned this multiple times during LCFS workshops over the past few years, but few details have been released thus far. Now that avoided emissions crediting has been reduced from a maximum of three crediting periods to two, digester developers need to understand what the future of their projects will be after their projects no longer receive critical support from the LCFS program. Without adequate incentives for the continued operation of digesters, CARB risks emissions backsliding with digester projects being abandoned after 20 years. Gaining certainty that there will be sectors outside of the transportation market that provide high value for biomethane will further incentivize the capture of methane and help California meet its emissions reductions goals.

We appreciate the opportunity to provide feedback on the proposed changes to the LCFS program and we encourage CARB to finalize the rules quickly and send them to the CARB Board for approval this November.

Thank you for your consideration.

Sincerely,

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