SUBMITTED VIA ELECTRONIC FILING

August 27, 2024

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

RE: Comments on the Proposed 15-Day Changes to the Proposed Amendments of the Low Carbon Fuel Standard Regulation – Released August 12, 2024

Dear Chair Randolph,

The California Renewable Transportation Alliance (CRTA) is a diverse coalition of renewable fuel producers, fleet operators, engine manufacturers, consumers, and utilities who, in long partnership with California, have invested millions of dollars in providing cost-effective, low-carbon fuel options to decarbonized California's transportation sector. We are committed to helping California meet its ambitious climate change goals and welcome the opportunity to provide these comments on the "15-Day Changes to the Proposed Amendments to the Low Carbon Fuel Standard" (15-Day Changes) released on August 12, 2024.

The Low Carbon Fuel Standard (LCFS) is internationally recognized as an effective mechanism for decarbonizing transportation fuel, reducing California's dependence on fossil fuel, and incentivizing the abatement of methane emissions from dairy operations. To date, four states (California, Oregon, New Mexico and Washington) have adopted a clean fuel standard program built off the successful LCFS model and eight other states are actively considering its adoption.

Any modifications to this program should be carefully designed and considered so not to derail California's leadership in this area. In general, we think the 15-Day Changes continues to move the program in the right direction. We appreciate the thoughtful work staff have done thus far to ensure the correct market signals are sent to incentivize continued investment in low-carbon fuel production. While we are pleased to support some of the 15-Day proposals, as mentioned below, we must, however, offer concerns with some of the proposed language.

Biomethane Production & Deliverability

We appreciate that staff has chosen to continue to value and incentivize dairy biomethane production pathways and the deliverability of renewable natural gas (RNG). The LCFS has been a key driver in capturing and reusing otherwise unabated methane emissions, particularly from dairy operations. RNG derived from this process not only helps to decarbonize internal combustion engines such as low NOx commercial vehicles but can also decarbonize battery-electric and hydrogen production.

Any changes to the dairy biomethane production under the LCFS should be thoughtfully evaluated to prevent increasing uncertainty for investors and to avoid negatively impacting the nationwide adoption of LCFS-type programs.

Crediting Period Limitation. We have serious concerns about reducing the avoided methane crediting periods from three consecutive 10-year crediting periods to two for projects breaking ground before January 1, 2030. Projects initiated between 2024 and 2030 are crucial to meeting CARB's 2022 Scoping Plan targets for RNG use in transportation and other industry sectors. This arbitrary reduction in crediting periods undermines the certainty presumed by the increased stringency of the carbon intensity (CI) targets proposed in the 15-Day Changes and could further reduce investments. Additionally, the ambiguity surrounding the scope of this proposal and its impact on existing dairy digester projects could further deter current investments. We urge staff to remove this provision.

Book and Claim Accounting Modification. The proposed condition to prompt early reporting of direct flow into the pipeline is confusing, unnecessary, and potentially unreliable. Ensuring the accuracy of the data on gas flow is crucial for the gas system map to be deemed a reliable source of information. It will require a rigorous verification and validation process that will be both resource intensive and time consuming. Any discrepancies in determining non-compliance can result in significant financial penalties and loss. The LCFS needs to provide more clarity, not less to continue to attract new investments in low-carbon fuel production. Therefore, we urge staff to remove this change.

Near-Term Carbon Intensity Target

In our comment letter dated May 10, 2024, CRTA recommended that staff adopt a more ambitious CI target than the 5 percent initially proposed at the April 10, 2024 workshop. We are pleased with staff's decision to increase the target to 9 percent in 2025. However, we also recognize that credit prices remain significantly depressed. At the time of these comments, the LCFS credit market price is approximately $54.00. When we began this discussion over 24 months ago, the price was around $200. By the time this regulation is adopted, we may have reached a point where a single solution is insufficient to adequately address the declining market conditions. While the proposed increase is a significant step in the right direction, the worsening market conditions call for a more robust approach.

Therefore, we urge staff to increase the "step down" even further to 10-11 percent and allow the Automatic Accelerator Mechanism to be activated as early as 2025 to further adjust the curve and achieve market stability.

Similarly, we believe it is a mistake to maintain a 30 percent midterm CI target when recent studies have demonstrated that a higher target of 41-44 percent is achievable[1]. Additionally, staff research has concluded that there is no direct correlation between the LCFS program and retail fuel prices in California[2]. Implementing a more stringent curve drives greater low carbon fuel production, thereby reducing our dependency on fossil fuel at the rate necessary to achieve our carbon neutrality goals. Therefore, we urge you to adopt a mid-term target closer to the ICF-recommended 41-44 percent.

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[1] Sheehy, Philip, and Fang Yan. *Analyzing Future Low Carbon Fuel Targets in California: Initial Results for Accelerated Decarbonization, Central Case*. ICF Resources, L.L.C., 2023.

[2] "An assessment of observed market prices shows conclusively that the LCFS program price effect at the pump is not a significant driver of retail fuel prices in California." California Air Resources Board. 2024. *LCFS Environmental Justice Advisory Committee (EJAC) Meeting Presentation, Slide 9.* March 15. [2024.3.15 LCFS EJAC Slides_final.pdf (ca.gov)]

"True Up" & "4-to-1" Penalty

We are pleased to see the inclusion of the "True Up" provision that we raised in our May 10, 2024 comment letter. This will increase investor confidence by allowing projects to recover credits generated on the first day of operation instead of having to wait until certification is complete.

However, we were disappointed that the "4-to-1" penalty remains for verified CI exceedance and that it may be applied to the temporary pathway period. We find this penalty is excessively harsh, especially since there is no requirement to prove intentional wrongdoing. Implementing this penalty in the current context will result in overly cautious pathway estimates that could potentially diminish projected revenue recovery over time and further disincentivize future investments. This would be counterproductive to the dairy sector methane abatement goals under SB 1383 and CARB's stated objectives for achieving these goals in the 2022 Scoping Plan, especially since dairy operations are subject to seasonal operations and temperatures. We strongly urge staff not to adopt this penalty mechanism. We support administrative reforms that streamline the process instead.

Biomass-Based Diesel Pathway Applications

We have serious reservations about the proposed authority to halt application approvals for biomass-based diesel pathways upon reaching specific zero-emission vehicle adoption milestones. This sets a troubling precedent that could be extended to other fuel pathways in the future. The pace of vehicle deployment will be determined by market forces, and technology acceptance levels will naturally evolve based on innovation trends. Consequently, we find this provision preemptive and unnecessary, and we recommend its removal.

We look forward to continued conversations with you on proposed modifications to the LCFS program. Feel free to contact me at nicolerice@ca-rta.org if you have any questions regarding our position.

Respectfully,

Nicole Rice

Nicole Rice, President
California Renewable Transportation Alliance

cc: CARB Board Members
Hazel Miranda, Chief of Staff and Policy Advisor to Chair Randolph, CARB
Rajinder Sahota, Deputy Executive Officer for Climate Change and Research, CARB
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