Finding a Better Way

October 16, 2024

Matthew Botill
Division Chief, Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95814
VIA ELECTRONIC DELIVERY

RE: Comments on the October 1st, 2024, Proposed Low Carbon Fuel Standard Amendments (Second 15-day changes)

Dear Mr. Botill:

I write on behalf of U.S. Venture, and our U.S. Energy subsidiary, regarding the Proposed Low Carbon Fuel Standard (LCFS) Amendments published October 2nd. We appreciate the California Air Resources Board's (CARB's) continued efforts over the last four years to balance the input of diverse stakeholders in developing the current LCFS update. We see missed opportunities in the results, including the decision to forgo a more stringent greenhouse gas reduction target. Nonetheless, we believe that the Board should approve this final set of changes to increase investor confidence in the future of the LCFS program. We will also offer comments on three specific elements of the October 2nd proposed amendments related to renewable natural gas (RNG).

As background, U.S. Venture is a 70-year-old family-owned company based in Northeast Wisconsin. Our vision is to be the very best provider of transportation products, sustainability solutions, and insight driving the world forward. Our more than 4,600 employees at 110 locations nationwide include more than 600 employees in California. Our U.S. Energy division is nationally recognized as an innovative leader in the distribution of renewable and traditional energy products, including RNG as a drop-in replacement for compressed natural gas (including at 72 California dispensing locations), for thermal applications and as a feedstock for hydrogen production. We have actively participated in the LCFS program since 2013 and commend CARB for continuing to be a global leader in promoting the development and use of low carbon transportation fuels.

We would like to highlight three issues in the proposed Amendments. First, the changes to deliverability requirements remain problematic for RNG development, as the proposal ties these requirements to Zero Electric Vehicles (ZEV) and Near ZEV's (NZEV) vehicle penetration in California. While we understand CARB's intention to prioritize RNG use in ZEVs if penetration goals are met, the unpredictable trigger makes it difficult for RNG developers to plan and invest. In addition, we question CARB's proposal to bar imported RNG from the North American gas system, given California's reliance on broad energy markets and the recent in-state RNG production increase. Achieving methane reductions and displacing fossil gas should remain the primary focus of California's RNG policy, and we would welcome further discussions with CARB staff on this issue.

Second, we remain disappointed by the proposal to reduce the avoided methane crediting periods from three to two for RNG projects built after January 1, 2030. This policy will pose significant challenges for agricultural waste diversion projects that rely on LCFS revenue to justify investments. The methane avoidance components of carbon intensity (CI) scores are crucial and removing recognition of these benefits, without a replacement policy, will undermine the viability of associated projects. Reducing incentives during the critical 2025–2030 period also contradicts CARB's goals and statutory guidance, as it forces RNG projects to rely on much higher LCFS prices to recover capital costs over 20 instead of 30 years. At lower prices, LCFS revenue may not cover operating costs, and even if prices rebound, fewer projects will remain viable under this new scheme.

Finally, we commend the new Amendments that promote RNG use in electric vehicle fuel cells. These pathways emphasize the need for flexible accounting mechanisms, such as book-and-claim, for both gas and power. We suggest expanding this approach to include other low-emission gas power generation technologies, such as RNG-to-electric generators, or other low-emission solutions that can address California's ongoing electricity interconnection challenges. U.S. Energy recently launched a low-emission EV charging solution called Volt Vault[1], future versions of which could create electricity through any traditional or linear generator, fuel cell or other similar technology. These options should also be included in the LCFS rulemaking to help the state meet its vehicle electrification goals.

Thank you again for the opportunity to provide feedback on the proposed LCFS changes. If you would like additional information related to any of the comments above, please let me know.

Sincerely,

s/*Brian Casey*

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[1] https://www.us-energy.com/what-we-do/energy-marketing/volt-vault/