



Kevin Maggay
Energy and Environmental Affairs
555 W. 5th Street
Los Angeles, CA 90013

tel: 213-244-8192

Email: kmaggay@semprautilities.com

April 23, 2018

Transmitted via eCommenting: lcfs18

Re: Proposed Amendments to Low Carbon Fuel Standard Regulation

To Whom It May Concern:

SoCalGas appreciates the opportunity to provide comments on the Proposed Amendments to the Low Carbon Fuel Standard (LCFS) Regulation posted March 6, 2018. We look forward to continuing to collaborate with the Air Resource Board (ARB) on this very important program. The LCFS Program has provided incentive to move to low carbon alternative fuel, which has resulted in significant carbon emission reductions. The LCFS Program also supports other state goals and policy initiatives such as reducing Short Lived Climate Pollutant emissions and methane capture. To that end, SoCalGas respectfully submits the following recommendation for the Proposed Amendments.

SoCalGas recommends providing an exemption for small compressed natural gas (CNG) station operators that have not yet opted in to the LCFS Program and dispense less than 1.25 million gasoline gallon equivalent units until fossil CNG becomes a deficit generating fuel in 2025. This is equitable since these CNG station operators will not create a deficit until 2025 and will allow industry adequate time to develop and provide LCFS administration and related products and services for small CNG station operators that will encourage the continued and expanded use of low carbon fuels including Renewable Gas.

Staff is proposing to convert fossil CNG from an opt-in fuel to a mandatory reporting fuel under the LCFS program. Based on information provided by ARB staff, it is expected that CNG will not become a deficit generating fuel until January 1, 2025, leaving approximately seven years of use as a credit generating fuel. Larger, more sophisticated CNG users have largely opted into the program to take advantage of the benefits, however hundreds of smaller CNG users have not opted in.

While credit generation creates a declining financial benefit through 2025, we are concerned with the sudden administrative burden that would be imposed on these smaller CNG users. It is likely that this administrative burden and the fear of generating deficits in 2025 may push these smaller users back to higher carbon intensity, petroleum-based fuels. This is the type of negative outcome the amended LCFS regulations should avoid.

We have worked with ARB staff to gather information on smaller CNG stations. Based on information provided by ARB staff and an initial analysis of utility billing data, it appears that at most, a very small percentage (14 percent) of the total volume of natural gas supplied to CNG vehicle refueling stations are for operators that have not yet opted in to the LCFS Program. Additionally, the operators that have not yet opted in to the LCFS Program represent 61 percent of the number of CNG vehicle refueling stations. On average, operators of CNG vehicle refueling stations that have not yet opted in to the LCFS Program use ten times less than CNG vehicle refueling stations that have opted in. Thus, it is small operators of CNG vehicle refueling stations, consisting of school districts, municipalities, and small businesses, that have not yet opted in to the LCFS Program.

An exemption for these smaller users would not have an environmental effect on the program as the exemption would only apply while CNG is a credit generating fuel. In addition to helping the smaller users, an exemption would also have the following benefits:

- **Retain Low Carbon Fuel Users.** It is likely that small users would not have the resources or desire to report to the LCFS for the relatively low financial benefit associated with fossil CNG. Instead of dealing with the reporting, we are concerned that users would abandon alternative fuels altogether. An exemption would help to retain CNG users rather than potentially moving back to petroleum based fuels, which would be counter to the intent of the program.
- **Decrease Administrative Burden for ARB.** By allowing industry time to develop products and services to take on the administrative burden on behalf of the hundreds of users, it would drastically reduce the administrative burden for ARB. It would reduce submittal review as well as reduce the enforcement burden.
- **Increase Data Accuracy.** Working with industry, as opposed to hundreds of less experienced small operators, would increase the accuracy of reporting as industry professionals have the wherewithal and resources to accurately report the required information to ARB in a timely manner.
- **Increase Outreach and Data Collection Options.** ARB would have the opportunity to leverage utilities to get assistance with LCFS Program outreach, gather aggregate market information to help guide policy decisions, and assist small operators to voluntarily opt in to the LCFS Program.
- **Increase the use of Renewable Gas.** Lastly, and most importantly, with the ability to act as an aggregator and subsequently being able to procure gas on behalf of smaller users, industry can promote and encourage the move from fossil CNG to Renewable Gas, which can achieve the most carbon reductions of any fuels available, in some cases being carbon negative depending on the feedstock. Based on information provided by ARB staff, almost two-thirds (62 percent) of natural gas fuel reported to CARB through the LCFS Program at the end of 2016 was Renewable Gas¹. Providing industry time to provide additional Renewable Gas related products and services to customers already

¹ <https://www.arb.ca.gov/fuels/lcfs/dashboard/dashboard.htm>

using CNG without additional administrative hurdles would significantly help to achieve the goals of the program.

Additionally, our technical comments to the GREET 3.0 model, which have not been fully addressed, are included in in our previous comment letter (attached).

Thank you again for the opportunity to comment on the Proposed Amendments. We hope to continue to work with staff on developing an exemption for small CNG fueling stations as it will benefit the program and the overall carbon emission reductions of the state.

If you have any questions, please do not hesitate to contact me directly.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'KM' or similar initials, written in a cursive style.

Kevin Maggay
Energy and Environmental Affairs Program Manager

Cc: Sam Wade, Air Resources Board