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October 14, 2024

**VIA ELECTRONIC SUBMISSION**

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

***RE: Comments on the Second Modifications to the Proposed Low Carbon Fuel Standard Amendments***

Dear Chair Randolph:

Suburban Propane writes with regard to the second round of modifications made to the Proposed Amendments for the Low Carbon Fuel Standard (“LCFS”) released on October 1, 2024 (the “Modified Proposed Amendments”). Suburban Propane has served customers for 96 years and is the nation’s third-largest propane retailer with operations in 42 states. In California, we currently have 266 employees at 71 locations, serving more than 55,000 customers.

In our comments dated February 19, 2024 regarding the initial Proposed Amendments published December 19, 2023 (the “Initial Proposed Amendments”) and our comments dated August 20, 2024 regarding the initial modifications, we urged CARB to amend two specific provisions:

1. Increase the flexibility of the Automatic Acceleration Mechanism (“AAM”) by accelerating the CI benchmark reduction proportional to how much the credit bank exceeds the proposed trigger threshold up to one full year; and
2. Remove the biomethane credit phaseouts.

Board staff has not adopted these revisions, and the Modified Proposed Amendments make minor changes to the AAM or the biomethane credit phaseouts. We urge CARB to reconsider and include the two amendments described above.



### **Automatic Acceleration Mechanism**

The Initial Proposed Amendments created an Automatic Acceleration Mechanism (AAM) that tightens the annual CI benchmarks if two conditions are met: “(1) when the pool of outstanding credits (the credit bank) exceeds three quarters of average annual deficits generation, and (2) when the number of credits generated each year exceeds the number of deficits generated each year.”<sup>1</sup> If those conditions are met, the AAM “would advance the entire benchmark schedule by one compliance period, increasing the stringency of the regulation for all subsequent years relative to what it otherwise would have been.”<sup>2</sup> The Modified Proposed Amendments slightly amends the AAM so that the trigger determination will be based on data from the most recent four quarters of reporting, not the previous calendar year. However, “the benchmark schedules would still be adjusted on the same frequency and timing as previously proposed.”<sup>3</sup>

Requiring acceleration of the benchmark reduction schedule by an entire year gives CARB too little room to maneuver. If the credit bank just barely reaches the threshold required to trigger the AAM, the benchmark reduction schedule leaps forward by an entire year, instead of considering a minor adjustment to maintain the credit market’s stability. This could lead to CARB overtightening the benchmark reduction schedule, leading to a saturation of deficits and more market volatility.

We recommend the AAM create more flexibility by allowing CARB to proportionally accelerate the benchmark reduction schedule based on how much the credit bank exceeds the trigger threshold, up to the CI benchmark for the following year. This would help maintain the stability of the credit market and thwart any potential overcorrection, which contributes greatly towards supporting long-term investment in transportation decarbonization.

### **Biomethane Crediting**

With a CI score as low as -532.74, biomethane, also known as renewable natural gas (RNG), is one of the most powerful tools in decarbonizing the transportation sector. The Initial Statement of Reasons for the Initial Proposed Amendments acknowledges that “[b]iomethane has played a role in contributing to the overall decrease in carbon intensity of the transportation fuel pool” and [c]apturing methane from California’s methane sources (e.g., landfills, dairies, and wastewater) is critical for achieving California’s climate targets.”<sup>4</sup>

However, notwithstanding the benefits RNG brings to California’s transportation fuel pool, each iteration of the LCFS Amendments seeks to phase out crediting for RNG. As currently drafted, for projects that

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<sup>1</sup> See [https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/lcfs\\_appe.pdf](https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/lcfs_appe.pdf).

<sup>2</sup> *Id.*

<sup>3</sup> See [https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/2nd\\_15day\\_notice.pdf](https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/2nd_15day_notice.pdf).

<sup>4</sup> See <https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/isor.pdf>.



break ground after December 31, 2029, RNG pathways, along with avoided crediting, would be phased out after December 31, 2040. Fuel pathways for RNG with avoided methane used to produce hydrogen would be phased out after December 31, 2045. In addition, while the number of 10-year crediting periods for projects that are certified before the regulation goes into effect have reverted back to three, Projects that are certified after the regulation goes into effect and before January 1, 2030 are eligible for only two crediting periods.

Phasing out RNG pathways is shortsighted and stymies the LCFS's effectiveness by removing a carbon-negative fuel source from the program. CARB argues for the phaseout because natural gas transportation fuel demand "is only about 3% of overall natural gas demand in California, and achieving deep GHG reductions will have to include displacing fossil gas in sectors of the economy beyond transportation."<sup>5</sup> This type of reasoning is antithetical to the spirit of the LCFS program, which is to incentivize the increased use of low-carbon energy sources and spur innovation in the production of even lower carbon transportation fuels. According to the U.S. Department of Energy, since the beginning of the LCFS in 2011, natural gas fuel consumption in California's transportation jumped from approximately 211.5 million gasoline gallon equivalents (GGEs) in 2011 to 403.7 million GGEs in 2021.<sup>6</sup> If those gallons were replaced with carbon-negative RNG, it would accelerate the decarbonization of the transportation sector. Further, the availability of RNG pathways under the LCFS led to increased production of RNG. In fact, the potential of securing more LCFS credits was one of the factors that led Suburban Propane to invest in RNG. We created a new subsidiary, Suburban RNG, specifically to acquire assets and increase production of RNG.

Phasing out these pathways removes a key low-carbon and carbon-negative energy source from the LCFS. We ask that CARB remove the RNG pathway phaseout provisions from the Modified Proposed Amendments and restore the three 10-year crediting periods for all RNG projects.

## **Conclusion**

For the reasons above, we urge the Board to reconsider and adopt the two amendments we laid out in our February 12, 2024 and August 20, 2024 comments: increase flexibility of the Automatic Acceleration Mechanism by accelerating the CI benchmark reduction schedule proportional by how much the credit bank exceeds the trigger threshold, up to one full year; and remove the biomethane pathway phaseout. We would appreciate the opportunity to discuss these changes, as well as other ways to reduce greenhouse gas emissions, with CARB staff. Thank you for your consideration.

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<sup>5</sup> *Id.*

<sup>6</sup> See <https://afdc.energy.gov/states/ca>.



Sincerely,

/s/ Paul M. Rozenberg

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