



December 21, 2022

Via Electronic Filing

Cheryl Laskowski  
California Air Resources Board  
1001 I Street Sacramento, CA 95814

Re: Low Carbon Fuel Standard – November Workshop Comments

Dear Dr. Laskowski:

The Agricultural Energy Consumers Association (AECA) represents the state's leading agricultural and dairy organizations, as well as the leading California-based dairy digester developers. AECA has been at the forefront of dairy methane reduction efforts in California including the creation of key incentive programs to facilitate adoption of methane reduction projects on California dairy farms. AECA has a long track record of advocating for the capture and beneficial use of methane from California dairies.

#### **INTRODUCTION**

AECA submits these comments to the California Air Resources Board (CARB) in response to the Low Carbon Fuel Standard (LCFS) workshop held on November 9, 2022. As we have consistently stated, the LCFS program has been a key driver of dairy manure methane capture in California and remains integral to the state's efforts to reduce dairy manure methane emissions 40% by 2030, as required under SB 1383. AECA shares concerns raised by multiple parties in the workshop that several of the concepts presented by CARB staff at the workshop could undermine continuing investment in ongoing dairy digester development in the state and undermine CARB's own plans to reduce dairy manure methane by 40% by 2030. We appreciate the opportunity to comment on these and other issues that remain critical to continued methane reduction progress in the California dairy sector.

California's dairy sector is on pace to achieve the required SB 1383 manure methane reductions by 2030. However, without viable, long-term and reliable markets for the beneficial use of captured methane, dairy digester projects cannot be financed and will not continue to be built in the state. This point is best underscored by the fact that dairy methane capture and utilization through the development of dairy digesters accounts for more than 90% of all dairy manure methane reductions in California to date. According to CDFA, reductions will exceed 2.3 MMTCO<sub>2</sub>e annually once all funded projects are operational.

The success of dairy methane reduction in California is underscored by a recent analysis conducted by leading researchers at UC Davis. The study, *Meeting the Call: How California is*

*Pioneering a Pathway to Significant Dairy Sector Methane Reduction* highlights that California is on track to reduce dairy methane emissions by a full 40% by 2030. The report found:

Continued implementation and commitment to the incentive-based climate-smart solutions that are currently driving voluntary dairy methane reduction in California should, by 2030, achieve the full 40 percent reduction in dairy methane sought by state regulators without the need for direct regulation.

## **GENERAL COMMENTS**

AECA remains concerned about some of the proposed LCFS scenarios related to livestock and other RNG raised at the workshop. Additional dairy digester development is needed in California to achieve state goals but cannot and will not happen with incentive funds and markets, such as LCFS, to encourage the capture and beneficial use of captured methane. California will need the development of at least 100 more dairy digesters in California to achieve the 40% reduction in dairy manure management emissions require by SB 1383. This development will not be possible under several of the scenarios raised by CARB staff at the workshop.

Growing uncertainty in LCFS carbon pricing and program eligibility is beginning to undermine ongoing investments in dairy methane reduction projects. CARB would be wise to correct these issues in a timely fashion if it desires to achieve the 2030 goals. Put simply, additional methane reductions will not occur without appropriate market incentives to create the revenue necessary to pay for these significant project investments.

## **AVOIDED METHANE**

AECA is strongly opposed to any and all scenarios where avoided methane crediting will be phased out. First and foremost, this policy is inconsistent with the incentive-based approach outlined in SB 1383 and currently being implemented in California. Moreover, eliminating avoided methane crediting in the dairy sector would lead to an inability to meet the state's targeted methane reduction goals and result in significant dairy methane emissions leakage. Avoided methane crediting is a key component of dairy methane reduction incentives that has achieved significant reductions to date.

As the UC Davis analysis finds:

. . . misguided efforts to change course by forced coercion to pasture-based operations, **direct regulation of dairy farms, or limitation on dairy digesters incentives will not only fail to achieve the desired greenhouse gas emissions reductions but will exacerbate the problem by causing significant emissions leakage** (emphasis added).

Revenue streams that incentivize investment in biogas capture and beneficial use are critical. Phasing out of avoided methane crediting in the dairy sector would jeopardize existing projects, making them uneconomic in the long-term, and dry up investment capital for the additional digester projects sought by CARB to achieve the state's ambitious and aggressive targets.

## **MARKET USE LIMITATIONS**

AECA is strongly concerned with and does not support any and all efforts to limit markets for RNG to outside the transportation sector. While markets for RNG as a replacement for conventional fossil gas are developing, they are developing slowly, remain uncertain, and are highly limited. First of all, these efforts are unnecessary since in-state dairy RNG can adapt to the state's evolving transportation policies and be converted to electric vehicle use as well as hydrogen for heavy duty ZEV trucks and other fleets. Moreover, forcing captured biogas into nascent RNG markets outside of the transportation sector will not provide the investment signals needed to build the next tranche of in-state dairy digesters to meet California methane reduction goals.

## **CARBON INTENSITY TARGETS**

AECA supports the acceleration of a carbon intensity (CI) target of at least 30-50% by 2030, including a step-down CI target of 18% beginning in 2024. This adjustment is warranted to meet the state's 48% reduction goal by 2030 as well as the 2045 statewide carbon neutrality target. Increased CI targets will stimulate further development of negative carbon dairy RNG in a cost-effective manner and provide substantial air quality improvements as well as community and public health benefits.

## **MARKET MECHANISMS**

AECA also supports the development of market mechanisms which would allow CARB management to dynamically respond to emerging market conditions in the LCFS transportation sector in a timely fashion. Credit-price band mechanisms, floor prices, and other mechanisms can increase certainty in credit markets and facilitate continued and expanded investment. We encourage CARB to work with stakeholders to develop such mechanisms. The combination of accelerated CI targets and dynamic market mechanisms to maintain healthy credit balances will send the long-term signal required to enable much needed investment certainty and bring credit and deficit production back into balance.

## **CONCLUSION**

AECA appreciates the opportunity to provide these comments and for the continued engagement in the LCFS program. CARB's desired dairy methane reductions can only be achieved with market mechanisms, such as LCFS, that foster needed investment in dairy digesters in California. Without such markets and resulting in-state investment, California's methane reduction goals will not be met, emissions leakage will occur, and overall global livestock emissions will increase.

We look forward to continuing to work with CARB on needed LCFS improvements and ensuring the state's dairy methane reduction goals are fully met.