



**Shell USA**  
**West Coast Corporate Relations**  
1121 L Street, Suite 700  
Sacramento, CA 95814

March 15, 2023

California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Shell USA, Inc. Comments on Potential Changes to LCFS Workshop February 22, 2023**

Dear California Air Resources Board:

Shell USA, Inc. ("Shell") has been a global supplier of energy for over 100 years, and we look forward to maintaining that leadership as the world transitions to cleaner energy. Like the California Air Resources Board ("CARB"), we are committed to that transition and are proud to operate in California which has led the country in Greenhouse Gas reduction and fighting climate change. As such, Shell enjoys what we feel is one of the most diverse and dynamic energy portfolios in the region, investing in a wide range of no and low carbon technologies in support of the state's NetZero objectives. In response to the regulatory constructs set up by the state, we made specific and significant investments in Renewable Natural Gas ("RNG") and Hydrogen. These investments in clean fuel technologies rely on the Low Carbon Fuel Standard program ("LCFS") to succeed and serve the state.

The impact of unexpected changes to the LCFS can mean that these large investments are at-risk of being stranded and the state being underserved in its energy transition objectives. California wants continued investment in additional low carbon options like Wind, EV charging, Carbon Capture, and Battery Storage but if the LCFS becomes unstable due to proposed changes Shell and other investors will have to factor in the lack of stability in the program as investment decisions are considered moving forward.

Shell respectfully submits these comments to CARB in response to the LCFS workshop held on February 22, 2023, and we appreciate the opportunity to answer any questions or be a resource to the agency in any way we can.

**Biomethane (Slides 30-33)**

CARB has stated multiple times that they expect complementary policies will support RNG but until those policies have traction, CARB should not put any limitations on RNG under the LCFS program. Specifically, avoided Methane Crediting must be maintained and there should not be limits placed on Book-and-Claim for biomethane crediting. This is critical, in our view, to be able to maximize the use of RNG as a key transition fuel to even cleaner technologies.

Avoided Methane Crediting must be maintained to support current and future investment and project development. These credits for methane that was previously emitted or flared are a key

component of dairy RNG investment and should be preserved to ensure the maximum production of clean fuels and emission reduction.

The discontinuation of Book-and-Claim accounting for ‘Non-Western’ projects will serve to stifle investment in new projects and potentially strand current projects where investment decisions were based on Book-and-Claim capability. This will constrain the supply of RNG, both in California and North America, at a time when we need more supply and reliability of cleaner energy sources and not less. RNG is not the only fuel in the LCFS that includes crediting by the program for emission reductions that occur outside of California. RNG imports should not be singled out from other fuels for different treatment, especially since it represents such an important fuel for the energy transition. Furthermore, Book-and-Claim has become the preferred method to track RNG in the western states including Oregon’s Clean Fuel Standard and the Washington Clean Fuel Standard.

Based on the presentation it appears the goal of eliminating Book-and-Claim is tied to the anticipation that Compressed Natural Gas (“CNG”) vehicles will be phased out with the implementation of CARB’s vehicle rules (Advanced Clean Trucks, Advanced Clean Fleets, etc.). However, CNG engines have a 15–20-year useful life and currently there are still many fleets converting their medium-duty (“MD”) and heavy-duty (“HD”) fleets to CNG. If the Book-and-Claim limitations are adopted, there is a good chance there won’t be enough RNG produced in ‘Western States’ to cover CNG demand in California. We disagree with CARB’s forecast of how quickly CNG demand will decline.

If the intention of limiting Book-and-Claim to projects on the Western pipeline is to reduce the abundance of credits in the market then Shell prefers leaving the Biomethane Crediting alone and lean into Alternative C, targeting 35% Carbon Intensity reduction by 2030. Additionally, monitor any potential impact of biomass-based diesel on food shortages or deforestation and collect quantifiable data before imposing cap limits.

Provided CARB moves forward with limiting Book-and-Claim we ask for clarification of the statement “Eligible pipelines must flow toward California 50% of a given year, consistent with RPS eligibility rules”, specifically if a list of eligible pipelines will be furnished, and if the 50% requirement would also extend to intrastate pipelines connecting to interstate pipelines.

If this proposal were to be enacted, then we ask CARB to grandfather in any facility that has already received a pathway to ensure that investments remain viable. Similarly, we strongly support the proposal that biomethane used to produce hydrogen is granted Book & Claim eligibility and the Avoided Methane Crediting periods play out in full. We cannot overstate how important RNG investments are to achieving the clean energy future we all want for California.

#### Medium- and Heavy-Duty (“MHD”) ZEV Refueling Infrastructure (Slide 29)

Shell supports the extension of “capacity” credits to MHD infrastructure as outlined in the latest proposal. Refueling infrastructure, particularly for hydrogen, is expensive to build and these capacity credits allow MHD stations to be built with investment certainty.

#### Updates to Existing Tier 1 Calculators (Slides 62-64)

We support both the development of a Tier 1 Hydrogen calculator and the update to existing Tier 1 calculators which would allow more dairy swine manure facilities to be classified as Tier 1 pathways. Please consider adding a way to split electrical grid region within an application based on percentages. For example, break down energy grid usage into 90% CA and 10% NV


usage within an application. We also strongly support including electricity generation from biogas using clean or non-combustion technologies in all biomethane Tier 1 Simplified CI Calculators to more easily align with eRINs under the RFS.

Although not mentioned in this workshop, Shell supports the temporary pathway true-up. We would like to see that proposal brought forward in this rulemaking.

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In conclusion, Shell appreciates the opportunity to engage in the LCFS rulemaking. We ask that CARB maintain consistent direction in the LCFS program and avoid picking winners and losers in the low carbon fuels arena. CARB should maintain its leadership in this space and continue to show the rest of the country how to reduce GHG emissions while maintaining a strong economy in the state. Thank you as always for your consideration of our input.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Leshner", with a stylized flourish at the end.

Steve Leshner