May 10, 2024
VIA ELECTRONIC FILING

Matthew Botill
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Anew Climate Comments in Response to the LCFS Workshop Held April 10, 2024

Dear Mr. Botill:

Anew Climate, LLC ("Anew") is one of the largest climate solutions providers in North America and has an established track record of participating in California's various sustainability programs, including the Low Carbon Fuel Standard ("LCFS"). We commend the California Air Resources Board ("CARB") and its staff for its successful implementation of the LCFS, driving the decarbonization of California's transportation sector, and proposing amendments to the LCFS in response to the 2022 Scoping Plan Update. The LCFS has a significant role in helping California achieve its ambitious climate goals and we appreciate the opportunity to provide comments on the April 10, 2024, workshop discussion.

Our most important recommendations for CARB in response to this workshop are:

- Implement a **step-down** in carbon intensity (CI) targets of **at least 9%**,
- Revise the **2030** CI reduction target to **at least 30%**,
- Tighten the proposed automatic acceleration mechanism,
- Implement these **changes as soon as feasible**, but no later than January 2025,
- Send a strong signal to **shore up investor confidence** in methane abatement projects.

Increased Program Ambition and Timely Implementation of a Step-Down in CI Targets of at Least 9% Are Critical to the Continued Success of the LCFS

As we previously stated in our February 2024 comments, a significant and near-term step-down in the Annual CI Benchmarks is critical to ensure the continued success of the LCFS program. Shortly after the April workshop, data was released that showed another record surplus, with 8.5 million credits generated in the last quarter of 2023. For all of 2023, that meant a surplus of nearly 8.2 million credits. All available data currently points to continued credit bank growth in 2024 as more credits are being generated than are needed to meet the current CI benchmarks. The ever-increasing credit surplus has stalled market activity. Unless CARB acts quickly and decisively, it is possible that the market will fall even further. This undermines a key goal of the program - to incentivize investment in low-carbon fuels and fuel technologies.

On April 23, CARB staff presented different options for an immediate step-down. The proposed 9% step-down in 2025 to a level of 22.75% below the 2010 baseline is the only option that has a chance to counter the ever-faster build-up of the LCFS credit bank.

<u>Implementing the step-down as soon as possible is just as important as setting the level of the step-down at 9%.</u> Any further delay in implementation of the program revisions will only serve to further accelerate the growth in LCFS surplus credits and make it more difficult to correct. Near-term action by CARB is now required to send a reassuring signal to investors that California remains committed to rapid decarbonization of its transportation sector and that investments in low-carbon fuels continue to be adequately rewarded and incentivized.

We Support a 30% or Greater Reduction in Carbon Intensity by 2030

As in previous comments, while we would also support a higher CI reduction target, we recognize that a reduction scenario of at least 30% would help set California on a path to meet its ambitious target of at least a 40% reduction in economy-wide GHGs by 2030 and carbon neutrality by 2045. Strong CI reduction goals will continue to accelerate carbon reductions in the transportation sector while establishing clear market signals that will drive innovation and investments.

We Support Tightening the Automatic Acceleration Mechanism

We have consistently supported the concept of creating an automatic acceleration mechanism ("AAM") as a tool within the LCFS and appreciate the inclusion of the AAM in CARB's proposal. We urge CARB to design the details of the mechanism to ensure that the AAM is triggered when the market truly needs it.

As we have stated before, the AAM should be amended such that it could be triggered as soon as 2026 if the applicable trigger conditions are met. Additionally, the AAM should be triggered when both the "Credit Bank to Average Quarterly Deficit Ratio" exceeds 2.5 <u>and</u> annual credit generation exceeds the annual deficit generation for the compliance year preceding the year of the May 15 announcement.

CARB Should Send a Signal to Shore Up Investor Confidence in Methane Abatement Projects

Anew appreciates the many occasions on which CARB staff has explicitly reiterated its support for RNG throughout this multi-year conversation around revisions to the LCFS, including in the most recent workshops and in the ISOR. We would like to reiterate that if CARB truly wants methane abatement from sources such as agricultural wastes to continue, this rulemaking must convince the clean fuel investment community that RNG will remain a viable and important contributor to the LCFS framework.

As such, we recommend that CARB refrain from imposing an end-date for avoided methane crediting. Any such measure would not only hinder continued investment into methane abatement at farms that LCFS has been instrumental in catalyzing, but also jeopardize the long-term economic viability of existing RNG production assets, which are subject to significant operational expense. We strongly urge CARB to continue following climate science on a technology-neutral basis and to maintain the framework that has catalyzed investment into methane abatement of swine and dairy operations.

In addition, and as we have stated previously in more detail, it is our view that CARB should maintain eligibility for delivery of biomethane without added restrictions. There is no evidence that new deliverability requirements would help to ensure progress toward the state's methane reduction targets. We therefore do not agree with CARB's ISOR proposal to impose new requirements for projects that break ground after 2030.

We further recommend a full credit true up to reflect the true environmental performance of RNG pathways. We have previously recommended that pathways should be allowed to fully "true up" LCFS credit generation to their actual CI score once that score is determinable based on actual greenhouse gas performance data. In addition, we recommend that if the verified CI is higher than the certified CI, the project should simply repay CARB for any excess credits claimed and not be subject to any further enforcement liability unless there is fraud or other conduct contrary to the objectives of the program.

Conclusion

We thank CARB for its important work in implementing the LCFS program. Swift action is required now to ensure that the program will continue to work as intended and maximize opportunities to decarbonize California's transportation sector. Should you have any questions about anything we have stated here or seek further clarification, please contact me at abrosnan@anewclimate.com

Sincerely,

Andrew Brosnan
President, Low Carbon Fuels
Anew Climate, LLC