VIA ELECTRONIC FILING

May 10, 2024

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

Re: RNG Coalition's Comments on Low Carbon Fuel Standard April 10, 2024, Workshop

Dear Mr. Botill:

The Coalition for Renewable Natural Gas (RNG Coalition) is a California-based nonprofit organization representing and providing public policy advocacy and education for the Renewable Natural Gas (RNG) industry.[1] RNG Coalition respectfully submits these comments to the California Air Resources Board (CARB) in response to the workshop held on April 10, 2024 (Workshop) on the Low Carbon Fuel Standard (LCFS).

Put simply, the LCFS framework works, and the availability of clean fuels incented by the LCFS is significantly exceeding expectations. The only barrier hobbling the program's continued success is the regulatory delay in enhancing overall program ambition.

We applaud CARB for laying out a path to correct this delay at the Workshop and appropriately exploring how to enhance the program's goals. The CARB analysis presented at the Workshop and associated stakeholder dialog demonstrates that CARB should:

- **Adopt a 2025 "step down" in the LCFS program target of at least 9%** to immediately reduce the program's credit bank to an appropriate level. Of the proposed step down options presented at the Workshop, 9% provides the most certainty to rebalance the LCFS credit bank, which has long been the primary goal of this rulemaking.
- **Set midterm targets in the range of a 30-44% reduction by 2030.** This would better align GHG reductions from the transportation sector (the largest emitting sector of the California economy) with legislatively mandated goals for the entire economy.[2]
- **Allow the Automatic Accelerator Mechanism (AAM) to trigger as early as possible, and at a lower trigger level.** This will guard against the case where the near-term target step down is not sufficient to address the current oversupply. The AAM mechanism should be triggered when the credit bank is two time greater than quarterly deficits. If the AAM conditions are met, the corrective mechanism should be able to trigger as soon as possible (i.e., using the 2025 data).
- **Restore Clean Fuel Investor Confidence.** Although the Workshop did not focus on RNG topics, additional RNG changes are needed to restore confidence in LCFS as a tool for driving RNG

[1] For more information see: http://www.rngcoalition.com/

[2] CARB's primary Scoping Plan scenario targeted a 48% economy-wide reduction in greenhouse gases by 2030 and at least a 40% reduction is required by SB 32 (Pavley, 2016).

development. Our comments below reiterate the importance of a full credit true up and proper accounting to ensure methane emissions reductions from organic waste streams are recognized.

1 Increased Program Ambition is Critical for Continued RNG-Driven Methane Reduction and Growth in All Low Carbon Fuels

Given the LCFS credit surpluses over the last two years, a significant step-down in the Annual Carbon Intensity (CI) Benchmarks cannot be delayed any further.

Cumulatively through Q4 2023, 155.58 million metric tons (MT) of credits and 132.03 million MT deficits have been generated, for a net 23.55 million MT of banked credits.[3] This "extra" climate benefit to the atmosphere produced by the LCFS—the banked credits above and beyond current goals—is currently approximately the same size as the annual emissions of the country of Honduras.[4]

This success should be celebrated, but changes to program ambition are critically needed if the trend in rapid clean fuel development is to continue in California. Based on all recent market information to date, 2024 will also contribute to the credit bank build significantly. Unless CARB acts swiftly to improve near-term targets, this will cause prices to fall further and RNG investment to fully stall.

The CARB modeling material released at the Workshop demonstrates that a near-term step down of at least 9% is feasible. This aligns with the work conducted by the consulting firm ICF, whose analysis we continue to support.[5] ICF has extensive experience modeling supply and demand in analogous clean fuel programs, both for governments and non-governmental organizations. We encourage CARB to rely upon the results of the ICF analytical work as it represents the most comprehensive and realistic analysis of supply and economics of RNG available to the LCFS system, as well as for other low carbon fuels.

ICF recommends an optimal step down of 10.5% to 11.5% in 2025 and targeting a credit bank equivalent of 2-2.5 quarters worth of deficits.[6] A step down of 9% should be easily reachable next year. The ICF work also demonstrates that greater ambition is achievable in the 2030 timeframe—2030 Targets in the range of 41-44% are recommended, which would better align with CARB's primary Scoping Plan scenario targeting a 48% economy-wide reduction in greenhouse gases by 2030.[7]

Since transportation remains the largest sector of greenhouse gas (GHG) emissions in California, and additional deployment of a variety of low carbon fuel supply is clearly feasible, we believe CARB should move swiftly to increase the ambition of LCFS program targets and match the LCFS more closely to economy-wide goals.

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[3] https://ww2.arb.ca.gov/sites/default/files/classic/fuels/lcfs/dashboard/quarterlysummary/Q4%202023%20Data%20Summary.pdf

[4] https://edgar.jrc.ec.europa.eu/report_2023#emissions_table

[5] Throughout this rulemaking, a diverse group of Clean Fuel voices has contracted with ICF to independently prepare and submit an analysis of what program targets are feasible.

[6] This is equivalent to a 2025 target of 24.25-25.25%.

[7] https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf

The AAM provides an important insurance mechanism, should the step down be insufficient to rebalance the credit bank, but it is not a substitute for attempting to set targets to achieve the maximum technologically feasible and cost effective GHG reductions, as required by state law.[8]

2 Additional RNG-Related Changes Would Improve Investor Confidence and Increase the Pace of Methane Emissions Abatement

Despite CARB staff's stated support for RNG throughout the rulemaking process, investors remain concerned about how the Proposed Rule shifts the LCFS's RNG crediting framework. Although not discussed at the Workshop, we reiterate[9] that:

- A routine, non-discretionary **credit true-up** from the temporary CI value to the certified provisional CI score (as well as adjustments up or down after each annual verification) remains necessary to properly recognize the true environmental performance of RNG pathways. We now have fully verified numbers demonstrating the actual GHG performance of each pathway annually. This is what LCFS crediting should be based on.
- The Proposed Rule's long term **deliverability requirements are unvetted and unproven** and therefore still problematic for RNG development. However, there is time to address this issue in future work. We encourage CARB staff to develop a dedicated public process (outside of this rulemaking) for increasing stakeholder understanding on this topic.
- A fixed-year phase-out of avoided methane crediting—as included in the Proposed Rule—is simply not smart policy. **Removing a "carrot" to reduce methane from sources such as dairies is unwise unless and until a "stick" has been developed**. Any mandatory rule must be able to meet the requirements of state law. If CARB wishes to continue to promote private investment in dairy RNG projects, any switch from incentives to direct requirements to install methane control systems must be more carefully managed. The current uncertainty over which regulatory tool will be used is preventing methane reduction projects from occurring.
- Even where existing appropriate regulatory requirements are in place, additional incentives are often needed to ensure greater amounts of methane capture. As such, **CARB should properly reflect the methane benefits of avoiding landfilling in the LCFS**, which would enhance the economic incentives and better motivate buildout of needed food/green waste digesters.
- At the Workshop CARB continued to state they'd like to see the biogas/RNG resource be shifted toward Zero Emission Vehicles (ZEVs) over time. Barriers can be removed through rule changes to help this occur. For example, **a temporary pathway for biogas to power should be established** and accounting frameworks should **allow RNG delivery to non-colocated power generation facilities**.

3 Conclusion

CARB has a narrowing window to provide clarity and investment certainty through additional changes to the Proposed Rule. More ambitious targets will allow the state to continue leveraging renewable gas

[8] CA Health & Safety Code § 38560

[9] See our February 20, 2024 comments on the Initial Statement of Reasons for more details.

production to help reduce methane emissions, improve organic waste management, and decarbonize California's transportation sector.

The simple fact is that many RNG projects in planning and construction in California rely on LCFS revenues to be built and operated. At current LCFS prices, and in the face of the programmatic uncertainty created by this almost four years[10] of discussion on this rulemaking, new RNG projects driven by the LCFS will be extremely limited until this rule is finalized. We thank CARB for your continued work and look forward to the swift conclusion of this LCFS rulemaking.

Sincerely,

/S/

Sam Wade
Director of Public Policy
Coalition for Renewable Natural Gas

[10] We note that our comment letter on the October 2020 Workshop discussed many of these same topics, available here: https://www.arb.ca.gov/lists/com-attach/48-lcfs-wkshp-oct20-ws-WmhRZ11tB2VVY1Vg.pdf