

May 10, 2024

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

RE: Sevana Bioenergy Comments Regarding the Low Carbon Fuel Standard Workshop April 10, 2024

Dear Mr. Botill:

Thank you for the opportunity to submit comments on the topics discussed at the Low Carbon Fuel Standard (LCFS) workshop April 10, 2024. We strongly support CARB's rulemaking process. The staff's recent proposed workshop approaches appear well grounded at striking a balance among stakeholders, and we support expeditiously implementing the most ambitious versions of these without further delay.

Sevana Bioenergy develops RNG projects through design, construction, and operations, with strong partnerships and contributions to the local communities we serve. Our mission is to accelerate the production of RNG from anaerobic digestion facilities and contribute significantly to worldwide greenhouse gas reduction with net carbon-negative projects. Unfortunately, we have seen decarbonization projects being cancelled or even defaulting as a result of depressed LCFS credit prices. We continue to support an ambitious LCFS and suggest:

Adopt a 2025 or if possible 4Q 2024 “step down” of at least 9%

As modelled, this is a minimum amount needed in order to begin reducing the excess credit bank.

Strengthen the AAM's mechanics

First, allow the AAM to take effect in 2026, adjusting the triggering timeframe as needed, since a 9% step down will not alone reduce the excess credit bank until 2027 resulting in continued depressed prices preventing investments in low carbon projects. Secondly, set the triggering threshold when the credit bank is more than 2.0 times greater than the quarterly deficits generated, based on analysis by AJW and others that 3.0 is excessive. Finally, the AAM should allow for the program to trigger continuously (no “freeze” needed between years as currently proposed, or even waiting for a full year to trigger). These minor adjustments to the AAM will ensure it is effective enough to avoid repeat regulatory revisions and give sufficient confidence to market participants to make informed investments and long term commitments.

Consider increasing the 2030 target

Based on our review and independent runs of the CATS model, we note generally high cost and limited availability assumptions may skew the results to predict too high prices with too few substitutes. In the future, implementing learning curves and Monte Carlo scenarios across ranges of assumptions could provide additional insights for policy making. We support the proposed 30% and potentially recommend the previously modelled 35% target in 2030, as the program has demonstrated it can and will over-achieve its targets.

True-up Temporary Pathway Codes

A true-up remains necessary to properly recognize the true environmental performance of all pathways for Temporary Pathway Code (TPC) time periods. Under industry-standard carbon intensity sliding scale contracts the TPC's worse-than-actual carbon intensity disproportionately shifts economics away from producers during the critical "valley of death" shortly after startup but before provisional pathway revenues are realized.

Furthermore, the penalty for inadvertently overstated carbon intensities during the true-up should be revised to 1.25x rather than 4.0x to penalize but not bankrupt producers that do not achieve carbon intensity modelled with best available information but fall short due to factors outside their control.

Streamline Tier 1 Pathway calculators

We support improvements to the Tier 1 calculators to improve processing timelines and streamline verification currently requiring Tier 2 pathways. We would recommend the Tier 1 DSW model enable entering 0, 1, or more lagoon cleanouts per year based on verified inputs based on historical practices. This best reflects the actual avoided emissions.

Align to be consistent with the latest methane science and SB 1383 definitions

We also support recognizing the latest science finding higher methane emissions are otherwise generated from landfilling organic waste prior to processing in anaerobic digestors. Do not discontinue credit for avoided methane emissions based on "targets" for landfill diversion in 1383 that are not binding legal requirements without alternative mechanisms. The definition of "food scraps" should be corrected to be consistent with CalRecycle's definition.

Maintain avoided methane and deliverability mechanics

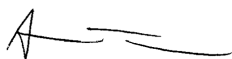
Sevana is developing projects both inside and outside California, with both carbon negative electricity and RNG pathways, so we are familiar with and not biased toward any specific fuel type or geography. Furthermore, RNG can be used to generate hydrogen and other low carbon fuels. The science-based, technology-neutral and interstate commerce compliant framework of the LCFS make it a strong and tested policy.

We recommend CARB maintain or extend the timeframes in the ISOR for eligibility of avoided methane deliverability. These mechanisms are supported by science and aligned with programs such as the RFS and other state LCFS. This will avoid tremendous risk of legal challenges, fuel shortages, higher emissions through workarounds such as trucking rather than pipeline deliveries, and perpetuating the sustained usage of fossil fuels by arbitrarily hindering low carbon fuels.

Methane is one of the most powerful greenhouse gases with a potency nearly 30 times that of carbon dioxide. RNG projects capture methane including from livestock and organic waste that would otherwise be released to the atmosphere and thus reduce greenhouse gas emissions and improve air quality. California should employ all options available to help mitigate methane emissions.

We look forward to moving forward rapidly into final rulemaking.

Sincerely,



Steve Compton
President & COO
Sevana Bioenergy