June 21, 2024

VIA ELECTRONIC FILING

Mark Sippola, Branch Chief
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: RNG Coalition Comments on May 31, 2024 Cap-and-Trade Workshop

Dear Mr. Sippola,

The Coalition for Renewable Natural Gas (RNG Coalition)[1] offers the following comments in response to the California Air Resources Board's (CARB) May 31 Workshop (Workshop)[2] regarding updates to the state's Cap-and-Trade (C&T) program.

RNG Coalition previously submitted comments in response to the June 14, July 27, and October 5 Workshops which addressed a variety of topics fundamental to the use of renewable gas. These include the role of renewable gas in decarbonization, the use of M-RETS tracking system for RNG and hydrogen, our support for increasing the programs greenhouse gas (GHG) reduction target, and the GHG accounting treatment of biogenic CO_2 emissions, among others.

Our following comments primarily address the use of natural gas allowance revenue for RNG and alignment between emissions reporting between C&T and California's Low Carbon Fuel Standard (LCFS).

Use of Natural Gas Allowance Revenue for Biomethane

CARB and the California Public Utilities Commission (CPUC) support for biomethane interconnection through C&T allowance proceeds continues to be an important funding mechanism toward increasing renewable gas supply in California. RNG Coalition agrees with CARB's stated goal that "[f]or natural gas suppliers, eligible uses of allowance value for GHG reduction should align with decarbonization measures in the 2022 Scoping Plan Update"[3], which includes the use of RNG and other renewable gases across sectors. For gas utilities, this includes "[b]lending low-carbon fuels, such as hydrogen and biomethane" to displace fossil gas.[4]

CPUC currently lists eligible uses of allowance proceeds obtained from natural gas utilities as inclusive of California's residential climate credit, building electrification pilot projects, and biomethane interconnections. We believe that, if any changes are to be made, CARB should allow more—not less—flexibility in allowing the use of funds for investment in all types of natural gas decarbonization efforts. As efforts to decarbonize via strategies like increased renewable gas consumption and electrification, it is widely accepted that the sectors and technologies which will require more investment will change over time.

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[1] http://www.rngcoalition.com/

[2] https://ww2.arb.ca.gov/sites/default/files/2024-05/nc_CapTradeWorkshop_May3124.pdf

[3] See pesentation slide 22.

[4] See Scoping Plan page 231: https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf

Moreover, if CARB wishes to reduce or discontinue the use of natural gas allowance revenue for direct GHG abatement, including RNG interconnection, then the state should take steps to allow rate-basing of such interconnection costs. To this end, Assembly Bill 3187 (Grayson, 2018)[5] requires CPUC to consider allowing gas utilities to rate-base the cost of RNG interconnection to core and non-core customers.

Providing support for RNG interconnection continues to be important for project developers and end-users. The direct use of allowance value (or rate basing interconnection) promotes in-state RNG production in line with California's climate goals in the waste and energy sectors. We urge CARB and CPUC to continue this funding, with continued use of allowance proceeds being the preferred option.

CARB Should Align RNG Claims Between the Low Carbon Fuel Standard and Cap-and-Trade Program

As discussed in previous comments, we believe that much of the RNG used consumed by non-utility customers—including for natural gas vehicles and voluntary buyers—is not recognized by the C&T and Mandatory Reporting Regulation's (MRR) current framework. In the Low Carbon Fuel Standard (LCFS), gas deployed into natural gas vehicles is reported downstream of the utility, usually through collaborative reporting between the RNG project and the company running the dispensing stations. Furthermore, many fueling stations do not meet the reporting threshold for inclusion under MRR, and are therefore not considered properly within the C&T. Similarly, we expect entities to procure increasing amounts of RNG under corporate GHG accounting frameworks for facilities not directly covered in C&T or MRR.

This means that in practice, RNG which enters the utility's transportation system but it used by non-utility customers, is often reported as fossil gas under the C&T and MRR. We reiterate that this can, and should, be corrected in this rulemaking, either through improved internal coordination between groups at CARB (who have access to both datasets and can map stations using RNG to utility service territories) or through a holistic fix that could be used across both programs (e.g., use of a centralized registry that could be accessed by both programs). For voluntary customers, as CARB begins to gather data for such corporate reporting under SB 253 requirements, there should be a way for utility C&T obligations to be reduced to recognize these purchases. In the absence of such accounting alignment, renewable fuel use will be counted as conventional gas and thus create unnecessary duplicative C&T burden for California utility ratepayers—even those directly paying to procure RNG.

California's agencies should move to harmonize reporting rules across the programs and markets which include renewable gas in the state to ensure consistent GHG reduction and renewable gas use claims. We continue to recommend one centralized electronic registry to address any possibility of double claims or double payments by compliance entities.

Conclusion

RNG Coalition appreciates the opportunity to provide feedback toward CARB's update of the Cap-and-Trade program as California moves toward improved program alignment and the increased use of new biogenic fuels and feedstocks across sectors.

Sincerely,

[5] https://legiscan.com/CA/text/AB3187/id/1779865

/S/

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