June 13, 2023

Dear CARB,

First, I commend CARB for holding two community meetings to discuss the LCFS and solicit input directly from community members. It is important for CARB to provide these opportunities. As I mentioned in a previous comment letter, now is the time to not only listen to these community representatives, but to act on their suggestions, as they will likely be paying an increasingly disproportionate cost of the LCFS program in the future.

During these community meetings, the dairy and renewable natural gas industry made some bold sounding claims about dairy GHG emissions and misleading claims about dairy financing that were not clarified or challenged by CARB staff. CARB staff did challenge the claim made by community members and environmental groups that avoided methane crediting may result in increased dairy herd sizes and/or give a financial advantage to dairies with large herd sizes, but they gave a pass to the dairy industry on all their claims.

More to the point, a few dairy industry speakers claimed that the California dairy industry would be "climate neutral" in a few years. Technically, since all the emission reduction (i.e., avoided methane) associated with the dairy digester project is assigned to the renewable natural gas (RNG) and the RNG renewable attributes (i.e., LCFS credits) are sold to oil companies to offset transportation sector emissions in California, the dairy industry emissions are not decreasing at all. In fact, under CARB's accounting framework, the carbon intensity of the milk does not change with the installation of the digester because all the upstream emissions are still assigned to the milk and all the emission reductions are assigned to the RNG. To claim that both dairy industry and transportation sector emissions are reduced by the digester project is double counting emission reductions. Either transportation sector emissions are being reduced (i.e., avoided methane is assigned to the RNG "sold" in California) or dairy sector emissions are being reduced (i.e., avoided methane is assigned to the milk) but not both.

Putting the issue of double counting aside, while it sounds like a major accomplishment, "climate neutrality" for the California dairy industry is a much lower bar than achieving California's ultimate GHG reduction goal of reducing actual emissions to 85% below 1990 levels by 2045. This claim of "climate neutrality" is based upon UC Davis research that employs a new modeling framework using GWP* instead of GWP100, the metric used for the California GHG Inventory. In simple terms, "climate neutrality" is achieved when the rate at which the dairy industry releases methane to the atmosphere is equal to the rate at which the methane that it previously emitted is naturally removed from the atmosphere through conversion to biogenic CO_2. It is effectively the point at which the dairy industry is no longer contributing to further increases in atmospheric methane concentration and global temperature. However, the continuing emissions of methane by the dairy industry are still responsible for maintaining a significant portion of the historic, rather large increase in methane concentration and global temperature from the pre-industrial baseline.

In my opinion, this claim by the dairy industry is akin to a factory releasing toxic metal pollution into a lake and saying they have achieved "toxicity neutrality" when the rate at which they release metals to the lake is equal to the rate at which the previously released metals leave the lake via the river. Sure, the metal concentration will no longer be increasing in the lake, but that is not the goal - the goal is to stop polluting the lake so that metal concentrations and resulting toxicity will return to zero. Similarly, the goal of climate action is not to be satisfied with a steady methane concentration in the atmosphere that is well above pre-industrial levels, but rather to stop polluting the atmosphere so that methane concentration can return to pre-industrial levels.

I was also surprised by statements made by dairy digester installers that the removal of avoided methane crediting would result in <u>no incentive</u> to continue operating existing digesters, thereby stranding assets. This is a false statement as removing avoided methane crediting only reduces LCFS incentive, it does not eliminate it, nor does it affect other incentives. Removal of avoided methane crediting does not at all affect the substantial value that many dairy digester projects receive from the State's Dairy Digester Research and Development Program (DDRDP) or from the Aliso Canyon Mitigation Fund, from the federal Renewable Fuel Standard (RFS), and from selling the gas. Moreover, dairy digesters also have the option to participate in the Cap-and-Trade offsets program instead of the LCFS, if that is determined to be more lucrative. CARB should challenge these misleading claims and require the dairy digester industry to publicly prove that the combination of DDRDP or Aliso Canyon Mitigation grants, RFS value, gas value, and LCFS or Cap-and-Trade offset value is insufficient to keep existing digesters operating.

As a final note, avoided methane crediting for dairies is unique under the LCFS. No other industry is treated as if their methane pollution is naturally part of the baseline and then lavished with large financial incentives for simply reducing their own pollution. Oil companies are not awarded large LCFS incentives for avoiding methane emissions at oil fields and refineries. Instead, they are regulated and penalized for their emissions. Likewise, landfill operators are not awarded large, avoided methane incentive for capturing methane escaping from landfills, rather they are regulated and required to do so. Excessively rewarding an industry for poor historic environmental performance is troubling in the least and furthermore, doing so only through a transportation fuels program distorts the market against the consideration of potentially more sustainable fuels and options for methane mitigation. Every effort should be made to regulate methane emissions from the dairy industry and limit any subsidies to the bare minimum necessary to resolve the problem. As it is, avoided methane crediting for dairies acts as an LCFS offset program, allowing oil companies to generate or purchase large amounts of credits while displacing very little or no fossil fuel. It is no wonder that oil companies are investing heavily in dairy digesters, as it allows them to comply with the LCFS, make a profit doing so, and retain their market share for fossil fuels.

Best regards,

Jim Duffy