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October 26, 2023

Rajinder Sahota  
California Air Resources Board (CARB)  
1001 I Street  
Sacramento, CA 95814

**Re: Comments on the October 5, 2023 Cap-and-Trade Workshop**

Dear Ms. Sahota:

Thank you for the opportunity to comment on the October 15, 2023, Cap-and-Trade Workshop. We strongly support efforts to decarbonize industry and achieve net-zero emissions throughout California, including through the use of state-of-the-art anaerobic digestion of organic waste resources and resulting biogas to displace fossil gas and decarbonize hard-to-abate sectors. The Cap-and-Trade program is a key element of California's climate change framework, and we support amendments to strengthen the program and the development and use of biogas to achieve California's short-lived climate pollutant (SLCP) and carbon neutrality goals.

**About TNRE**

True North Renewable Energy, LLC (TNRE) develops, builds, and operates state-of-the-art organics-to-renewable energy facilities, including large-scale, regional high-solids anaerobic digestion infrastructure. These facilities reuse and repurpose organic resources diverted from landfills to create beneficial, sustainable products, including biomethane and soil-amending compost. TNRE is focused on partnering with communities in California to meet local and state requirements for diverting organic waste from landfills and cutting SLCP emissions, while generating compost and renewable natural gas to help decarbonize other sectors of the economy and meet California's climate goals.

**Transitioning to low carbon fuels and renewable gas outside of the transportation sector**

TNRE has consistently advocated for expanding eligibility under the Low Carbon Fuel Standard (LCFS) to allow low carbon fuels supplying industrial sources, including cement facilities pursuant to SB 596, to generate credits and equal value as if that fuel were directed to the transportation sector. We believe this is the most equitable approach for fuel providers and offtakers alike – across any sector – and would support continued development of low carbon fuels and increased

access to biomethane in stationary sources and the industrial sector. We encourage CARB to consider this approach as it develops amendments to the LCFS.

However, we recognize such a change does not appear to be under consideration in the current set of LCFS amendments, in which case we encourage CARB to explore alternative strategies to achieve similar outcomes and objectives. We believe the next best approach may be to leverage the Cap-and-Trade program and develop amendments to the program that would provide equal incentive for biomethane displacing fossil fuels in the industrial sector, as currently exists for that gas in the transportation sector. In the upcoming rulemaking, we encourage CARB to evaluate approaches under Cap-and-Trade that could incentivize the production of biomethane and use in the cement and other industrial sectors.

### **Book-and-claim eligibility key to meeting state goals**

One element CARB should maintain – in both its LCFS and Cap-and-Trade programs – is the ability for in-state gas users to utilize out-of-state biomethane sources via book-and-claim accounting. California imports nearly all of its natural gas, and in-state biomethane resources are insufficient to quickly transition industrial users and other hard-to-abate sectors away from fossil gas. By leveraging book-and-claim accounting, CARB can:

- Continue to support access to growing renewable natural gas supplies while leveraging existing natural gas infrastructure and supply channels.
- Enable a growing renewable natural gas industry at scale that will deliver greater supplies of renewable energy more quickly – both in-state and out-of-state – more rapid SLCP emissions reductions, and support greater competition that will serve to reduce prices.
- Leverage California’s climate leadership to achieve emissions reductions at greater scale.

Importantly, allowing for book-and-claim of biomethane from organic waste diversion projects does nothing to disrupt the state’s efforts to reduce SLCP emission reductions, given that organics diversions is mandated by regulations at CalRecycle under SB 1383. However, it does provide project developers and end users optionality and a greater array of opportunities to support the State’s goals at the lowest possible cost.

### **Responses to questions posed at the workshop**

TNRE appreciates CARB teeing up specific questions related to biomethane at the workshop, and offers the following responses:

- *How can Cap-and-Trade support biomethane end-uses in non-transportation sectors?*

As described above, supporting biomethane end uses in non-transportation sectors requires developing market drivers for biomethane in those sectors that is at least equal to the incentive that exists for utilizing biomethane in transportation under the LCFS. The LCFS has been undeniably successful in supporting biomethane projects for

transportation, and a similar model – indeed, the LCFS itself – can support necessary biomethane projects for industrial sources and other gas end use sectors. CARB could consider a new program, modeled after the LCFS or Renewable Gas Standard, requiring industrial sectors to decarbonize their energy use, including through the use of biomethane.

In general, CARB should also avoid taking steps – through the LCFS, Cap-and-Trade, or other programs – that would hurt development of the biomethane industry and investment in new biomethane projects. For biomethane from organics diversion projects in particular, timely implementation and enforcement by CalRecycle of its organics diversion regulations is critical, as well as CPUC implementation of its Renewable Gas Standard. Critically, the Administration must firmly commit to achieving the state’s organic diversion goals and utilizing the waste organic resource to its highest emissions reducing value, which is clearly through the use of anaerobic digestion facilities capable of producing both renewable natural gas and compost.<sup>1</sup>

Through Cap-and-Trade itself, CARB can support biomethane end uses in non-transportation sectors through allowance allocation that serves to provide similar value for biomethane in stationary end uses as exists in the transportation sector. CARB could also consider allocating excess allowances to biomethane producers delivering biomethane to non-transportation end uses.

- *Should Cap-and-Trade clarify or incorporate additional deliverability and time-matching requirements for biomethane injected into a common carrier pipeline to support verifiability and integrity of emissions reductions?*

We support current treatment of biomethane under Cap-and-Trade and the LCFS, which has served well to help enable the growth of the nascent but necessary biomethane industry. By definition, new biomethane injected into the common carrier pipeline displaces fossil natural gas that would otherwise supply end uses, and no additional requirements are needed to support integrity of emissions reductions.

- *Should any new or modified requirements be aligned with existing California programs?*

We encourage CARB to maintain support for a robust biomethane industry in both its LCFS and Cap-and-Trade programs, and avoid aligning with restrictions in other programs like the Renewable Portfolio Standard that have served to limit the ability of biomethane projects – including some that provide significant in state benefits – to be developed in support of California’s clean energy and emissions reduction goals.

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<sup>1</sup> <https://www.arb.ca.gov/lists/com-attach/2454-scopingplan2022-BXFDNVEiU2UAWVQn.pdf>

## **Enable CCUS on biomethane facilities and update GWP values based on scientific consensus**

Finally, while not covered in the workshop, we reiterate our support for incorporating carbon capture, utilization and sequestration (CCUS) and carbon dioxide removal into the Cap-and-Trade program, and we strongly support Québec's proposal from the June workshop to update global warming potential (GWP) values based on current global scientific consensus. We hope CARB staff will consider both of these items as it develops regulatory amendments and through future public workshops.

Anaerobic digestion, in particular, offers an attractive application for CCUS, and we encourage CARB to consider mechanisms to incentivize CCUS on biomethane facilities and others that may not be covered under the Cap-and-Trade program. CARB could do this by providing allowances to biomethane producers, especially those deploying CCUS, defining biomethane with CCUS as an eligible carbon dioxide removal pathway, and/or creating new offset protocols to account for and support additional emissions reductions.

CARB should also adopt as many CCUS protocols as possible that meet CARB's criteria for verification and permanence – through the SB 905 implementation process or in the LCFS and Cap-and-Trade rulemaking – and include language in both LCFS and Cap-and-Trade amendments that allow new protocols to automatically apply to the programs as they are developed.

Thank you again for the opportunity to comment on this workshop, and please do not hesitate to reach out with any questions.

Sincerely,

Gary Aguinaga  
President  
True North Renewable Energy, LLC