DTE VANTAGE

June 6, 2023

Liane Randolph
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: May 23, 2023 Public Workshop to Discuss an Auto-Acceleration Mechanism for the Low Carbon Fuel Standard Program

Dear Chair Randolph and Deputy Executive Officer Sahota,

DTE Vantage appreciates the opportunity to provide written feedback on the public workshop held on May 23, 2023, to discuss an auto-acceleration mechanism for the Low Carbon Fuel Standard Program. As a developer, owner, and operator of renewable natural gas (RNG) facilities that supply RNG to California and participate in the LCFS program, we have seen firsthand how the LCFS has encouraged successful partnerships that beneficially use waste resources and transform methane into low-emission transportation fuels.

Our company is deeply invested in California's decarbonization goals and believes the LCFS has been and remains a critical tool for achieving the State's objectives to reduce the carbon intensity of the transportation sector. We appreciate CARB's efforts to engage stakeholders as it considers updates to the LCFS program and respectfully submit the following comments for your consideration.

Recommendation: Achieve Swift Implementation of New Program Rules

It is critical that CARB move swiftly to complete this LCFS rulemaking process and target a January 1, 2024, effective date for implementation due to the current LCFS credit bank size and credit-to-deficit generation ratio. Delays in implementation will continue to sustain the current overperformance of the program and lead to additional growth of the bank. Uncertainty about regulatory timing and potential changes to the rulemaking will lead to reduced investor confidence in the market, less investment into alternative fuels, and deceleration of transportation decarbonization.

If January 1, 2024 is administratively impossible to achieve, a mid-year start, taking effect as soon as practical, would be the next best alternative as it would provide clarity to the market that the agency is moving ambitiously to accelerate targets under the LCFS program.

Recommendation: Implement a Step-Change of at Least 8 gCO2e/MJ and an Auto-Acceleration Mechanism

DTE Vantage supports a step-change reduction in carbon intensity at the earliest possible effective date. A decisive step-change reduction in 2024 would provide a signal of strong intent by the agency to support both short- and long-term investment to meet California's climate goals. Based on internal projections of EV adoption, renewable diesel generation, and RNG CI reductions, DTE Vantage encourages the agency to pursue a one-time stepdown of at least 8 gCO2e/MJ (for both gasoline and diesel fuels) to immediately slow the growth of the LCFS credit bank and firmly set the program on a path to achieve its 90% CI reduction target in 2045.

Additionally, DTE Vantage is supportive of CARB's work to-date to consider an acceleration mechanism within the program to automatically create additional carbon intensity reductions when the program meets specified oversupply criteria. DTE Vantage is supportive of the two-test verification auto-acceleration mechanism, such as the one included in AJW, Inc.'s presentation during the May 23rd workshop.

The application of an automatic adjustment mechanism would send positive and clear indications to investors that the acceleration of decarbonization solutions will not undermine the LCFS market, providing project investors with greater confidence that clean fuels projects will be rewarded and that they can rely on a steady market signal to support their long-term investments.

Recommendation: Couple a Step-Change and Acceleration Mechanism with a CI Reduction Target of at Least 35%

DTE Vantage remains highly supportive of CARB's consideration of tightening the stringency of the LCFS program. As noted above, due to the sustained overperformance of the program and strong potential for credit generation to continue to outpace deficit generation, a 30% CI reduction should be the lowest target under consideration by the agency. DTE Vantage strongly recommends that CARB adopt a 35% reduction by 2030. The LCFS Program has proven itself highly effective at attracting and increasing volumes of diverse low carbon fuels to California. A more stringent CI reduction target, enhanced by an auto-acceleration mechanism, will drive new investments that will further accelerate emissions reductions in California's transportation fuel mix and allow the State to achieve its broader carbon decarbonization goals.

Recommendation: Reconsider Proposed Concepts Related to Phasing Out Avoided Methane Crediting and Aligning Deliverability Requirements of Biomethane as a Transportation Fuel with RPS and CPUC 1440 program

DTE Vantage remains highly concerned with two of the proposed concepts featured in CARB's February 22, 2023 workshop on potential changes to the LCFS program.

First, we strongly urge CARB to reconsider its proposed concept to eliminate RNG pathways that rely on book-and-claim delivery mechanisms starting in 2028. As identified in a previous comment letter in response to the February 22 workshop, DTE's primary areas of concern with this proposal are as follows:

- At present time there are insufficient outlets available in other markets and end uses to absorb RNG that would otherwise supply the LCFS transportation market.
- Natural gas vehicles still on the road in California in 2028 will, by necessity, turn to fossil natural gas for their remaining commercial life if there is no RNG incentivized, and therefore available, for transportation end use.
- Because CARB is proposing to remove the option of a fuel that competes well in the market to continue to enter the fuel mix, credits that otherwise would be generated from out-of-state RNG will presumably be replaced by more expensive alternatives. Thus, the agency's proposal will make compliance more expensive for Californians.

Second, we urge the agency to continue its avoided methane crediting methodology to preserve and promote meaningful GHG emission reductions. The RNG industry has made significant investments in dairy RNG projects thanks to the avoided methane crediting construct, which are mitigating fugitive methane emissions on farms. California's SB 1383 targets a 40% reduction in total methane emissions and a 40% reduction in dairy and livestock emissions. To meet these goals, we recommend that CARB reconsider eliminating the avoided methane crediting of the LCFS program.

These two areas remain a high priority for DTE Vantage and present significant concerns related to existing investments.

We would like to thank CARB for their consideration of our comments and appreciate the agency's robust efforts to engage stakeholders throughout this process. We welcome the opportunity to provide any clarifications or answer follow-up questions.

Sincerely,

Philip O'Niel

Vice President – DTE Vantage