June 6, 2023

VIA ELECTRONIC FILING

Ms. Cheryl Laskowski,
Branch Chief - Low Carbon Fuel Standard
California Air Resources Board
Industrial Strategies Division - Transportation Fuels Branch
1001 I Street
Sacramento, CA 95814

Re: Anew Climate Comments Regarding the May 23, 2023 Low Carbon Fuel Standard Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard

Dear Ms. Laskowski:

Anew Climate, LLC (***Anew***), formed through the combination of Element Markets and Bluesource, is one of the largest climate solution providers in North America with an established track record of participation in California's various sustainability programs. We appreciate the opportunity to provide the California Air Resources Board (***CARB***) with our comments regarding the topics presented in the May 23, 2023 Public Workshop to Discuss Potential Changes to the LCFS Regulation (the ***Workshop***).

Step Down and Automatic Acceleration Mechanisms

Anew commends CARB for its successful track record of implementing the LCFS and setting strong CI reduction targets. As in our March 15, 2023 comments, we urge CARB to incorporate both a step-down mechanism and an acceleration mechanism to complement the planned increased CI stringency of the program. Both mechanisms are urgently needed to address the oversupply of credits in the credit bank. However, they should not be a substitute for substantially increasing the stringency of the program.

In our view, implementing a step-down mechanism at the earliest possible date, ideally as of January 1, 2024, is the highest immediate priority. A significant step-down of the CI curve, beginning in 2024, could result in an immediate and robust market response and send the strong signal that California remains committed to rapid decarbonization of its transportation sector and that investments in low-carbon fuels continue to be adequately rewarded and incentivized in California. We agree with other stakeholders that a step-down to 17.5-20% in 2024 is appropriate and necessary to create the desired market responsefor market impact. We believe this is one of the most consequential and important steps CARB could take in this rulemaking process.

In addition, we strongly support adopting an automatic acceleration mechanism along the lines of the concept proposed by AJW during the May 23 workshop. We have been in dialogue with AJW and other stakeholders on this topic and agree that it would be most effective to implement the concept with a credit-based trigger, based on a one-year reporting cycle, and that CI reduction should increase continuously.

The combination of an immediate step-down and automatic acceleration mechanism, along with a tighter stringency as previously discussed, will help California remain at the forefront of transportation decarbonization by optimizing investment in low-CI fuels.

Mid-Year Implementation

During the workshop, CARB staff indicated that, while staff is still working hard to remain on schedule to implement the envisioned changes by January 1, 2024, the timeline of this rulemaking could slip backward by a few months. Staff solicited comments from the public regarding the potential of a mid-year implementation date.

While we would like to emphasize the urgent need for making the contemplated changes to remain on track toward decarbonization, we do appreciate the complexity of the issues and stakeholder landscape that CARB staff is addressing. We would like to urge CARB to work toward a January 1, 2024 effective date, with a date of April 1, 2024 as a back-up, if necessary. In our view, waiting to implement these changes until January 1, 2025 could irreparably deter investment in low CI fuels, leave many achievable GHG emissions reductions on the table, and put California off track with respect to achieving its climate goals.

Should a mid-2024 effective date become necessary, we highlight the importance of setting a CI benchmark that is sufficiently low for achieving the 17-20% aggregate annual step-down, taking into account the calendar quarters that the step-down measure did not apply to. Similarly, CARB should be very firm and transparent about its intent to achieve this actualized annual step-down throughout the rulemaking process, to ensure that the market prices the CI reduction for the entirety of 2024.

Book and Claim Delivery of RNG

We would like to reiterate our previous comment that limiting book-and-claim as of 2028 abandons significant opportunities for methane reduction and creates an arbitrary limit on out-of-state projects that unnecessarily increases the policy risk to the LCFS program for its participants and stakeholders. We respectfully urge CARB to abandon this near-term restriction. At a minimum, CARB should align any phase out of book-and-claim delivery with the phase out of avoided methane crediting in 2040. A majority of the out-of-state biomethane facilities that are contributing to global methane abatement and lowering California's transportation CI rely on book-and-claim delivery and would therefore be unable to avail themselves of the 10 or 5-year credit extension period envisioned for avoided methane projects. For these facilities, extending avoided methane crediting until 2040 is not useful unless CARB also extends eligibility for book-and-claim delivery until the end of the crediting period. If CARB does intend to proceed with the proposed changes to book-and-claim eligibility for biomethane, we respectfully request that

CARB clarify whether existing book-and-claim R-CNG pathways will be allowed to continue beyond 2028. The viability of methane-abating RNG projects certified between 2018 and 2022 was based on the ability to deliver biomethane via book-and-claim well beyond 2028. Removing book-and-claim eligibility for all biomethane projects in 2028 will reduce investor confidence, increase the inherent policy risk associated with the program for new investments and consequently put future investments in innovative technologies at risk. We are extremely concerned about the number and magnitude of investments adversely impacted by early phase out of book-and-claim delivery.

Thank you for your consideration of our feedback.

***