

August 17, 2023

VIA ELECTRONIC FILING

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



Re: RNG Coalition Comments on July 27, 2023 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) July 27 Workshop (Workshop) regarding updates to the state’s Cap-and-Trade (C&T) program.

We appreciate the continued opportunity to engage with CARB as part of this process and ask that staff also refer to our previous comments² which explained the role of renewable gas, the use of M-RETS tracking system for RNG and hydrogen, and the ongoing treatment of biogenic CO₂ emissions as carbon neutral.

In line with CARB’s recent Workshop, our comments herewithin address proposed updates to the Program’s GHG reduction target and offer initial comments on allowance and allowance value allocation, and the need for a stronger carbon price to drive investment in impactful technologies.

Increase Stringency of the GHG Reduction Target

We support aligning the Program’s GHG reduction target to achieve, at a minimum, the abatement required in the most recent update to California’s 2022 Climate Scoping Plan. The Plan recommends going above the 40% reduction required by SB 32 to at least a 48% target by 2030. The Scoping Plan’s scenarios demonstrate that this level of near-term stringency helps reach long-run legislative goals from AB 1279. Adjusting the Program now to aim for an 85% reduction by 2045 will help send the correct long-term signal to investors in RNG and other clean technologies.

That said, CARB should continue to target the most ambitious GHG reduction schedule it deems to be feasible given technological and economic constraints. Studying targets in the range of 55% by 2030, as discussed at the Workshop, is advisable given the ever-escalating nature of the climate crisis.

Per CARB’s Workshop presentation,³ we note that the Scoping Plan calls for a 462x increase in renewable hydrogen to achieve the stated 2030 target and will require carbon removal technologies beginning in the 2030 timeframe to ultimately account for residual emissions after the 2045 target is

¹ <http://www.rngcoalition.com/>

² In response to the June 14 workshop

³ See slide 5: https://ww2.arb.ca.gov/sites/default/files/2023-07/nc-CapTradeWorkshop_July272023_0.pdf

met. As described in our previous comments, we believe that RNG can become an important input/compliment to these categories of abatement.

Allowances for Natural Gas Utilities (NGUs) and New Product Categories

How can allowances for NGUs be used to maximize ratepayer benefit and support Scoping Plan targets?

Allowance value (or direct allocation) used to support RNG and hydrogen will contribute to California's long-term goals to create available renewable gaseous options in hard-to-electrify sectors, as outlined in the Scoping Plan. CARB should continue to allow natural gas utilities, under the direction and oversight of the Public Utilities Commission, to invest their allowance value in renewable gas technologies.

New Product Categories for Industrial Allocation

The Workshop's discussion of options for updating the program's industrial allowance allocation include for electricity purchases, for new products, for biofuels production, and benchmarks for oil and gas production. RNG Coalition supports new allocations for biofuels and bioproducts, especially where technologies can have multi-faceted societal benefits in waste, agriculture, energy, and other sectors.

Additional Considerations for Incentivizing GHG Abatement Technologies

Higher Carbon Price is Needed

A higher allowance price is critical to drive improved economics of all greenhouse gas abatement projects, both emerging and fully commercialized. Technologies like RNG derived from anaerobic digestion—which are commercially available and technically proven, but still higher cost than fossil counterparts—will only be incentivized by C&T if the carbon price reaches levels closer to the social cost of carbon.

The California/Quebec Cap-and-Trade May 2022 auction price was \$30 per metric ton,⁴ compared to the current U.S. federal estimate of the social cost of carbon of \$51 per ton.⁵ As CARB is aware, even that federal estimate is outdated at this point. The leading researchers estimate the social cost of carbon to be on the order of \$185/metric ton⁶—a range at which many more RNG project would be competitive with conventional gas (if methane reduction benefits are also properly recognized). CARB should continue to improve program stringency to ensure that the program's carbon price continues to increase to the point where it will provide a high enough incentive to match the social cost of carbon as soon as possible.

Conclusion

California has outlined a comprehensive role for the use of renewable gases within the suite of technologies needed to decarbonize California's economy, and should continue to design the C&T program to incent such technologies, especially where additional non-climate environmental impacts

⁴ https://ww2.arb.ca.gov/sites/default/files/2022-05/nc-may_2022_summary_results_report.pdf

⁵ https://www.whitehouse.gov/wp-content/uploads/2021/02/TechnicalSupportDocument_SocialCostofCarbonMethaneNitrousOxide.pdf

⁶ <https://www.nature.com/articles/s41586-022-05224-9>

can be achieved. RNG Coalition appreciates the opportunity to provide feedback toward CARB's update of the Cap-and-Trade program.

Sincerely,

/S/

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