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VNG Comments on Natural Gas Transportation in the Draft AB1257 Natural Gas Act Report

Additional submitted attachment is included below.



VNG Comments on the AB 1257 Natural Gas Act Report

VNG is a developer of compressed natural gas (CNG) refueling infrastructure geared towards the medium- and light-duty natural gas vehicle (NGV) market, including pickups, cargo vans, and other vehicles commonly used in fleets. We believe that CNG is an important low-emission fuel for medium- and light-duty trucks in particular, as they are high-mileage, low-MPG vehicles that will lack electric or fuel cell alternatives for the foreseeable future.

The Draft AB 1257 Natural Gas Act Report represents an important step towards reevaluating the role this uniquely versatile low-emission energy source can and should play throughout the various sectors of the state's economy. A clear understanding of the benefits of using this fuel in different sectors is particularly important given the growing focus on Short-Lived Climate Pollutants (SLCPs), including methane, in California's climate policy.

As noted in the draft report, the use of renewable natural gas (RNG, also referred to as biomethane) as a transportation fuel offers greenhouse gas (GHG) emission reductions of 80% or more compared to gasoline and diesel. In fact, for some RNG production pathways, net GHG emissions are *negative*. While this represents the lowest carbon intensity of any fuel measured under ARB's Low Carbon Fuel Standard (LCFS) by a considerable margin in CO₂-equivalent terms, it still fails to fully capture the incredible environmental benefits of RNG, since most of these emission reductions come from the elimination of methane emissions – and thus are heavily weighted towards the near-term climate benefits the state is increasingly targeting in its SLCP strategy.

While the draft report notes the benefits of using RNG in transportation, it omits a critical, direct connection between the development of the natural gas transportation market and the future development of projects to capture and utilize RNG. Because RNG is more expensive to produce than fossil natural gas, it requires supportive policies to be competitive in the market – and in this regard, the use of RNG in transportation presents a unique opportunity amongst all end uses for this fuel, since this end use generates saleable credits under the LCFS as well as the federal Renewable Fuel Standard (RFS).

These RFS and LCFS credit revenue streams make RNG cost-competitive with fossil natural gas, and are unavailable to RNG used for non-transportation purposes. This is already driving the rapid diversion of existing RNG production to the transportation market: according to the RNG Coalition, the competitiveness of RNG with fossil CNG has enabled RNG to account for 35% of NGV fueling in California, and this share could double by next year.¹

Because of this economic advantage of using RNG in transportation compared to other end uses, increasing demand for natural gas as a transportation fuel – and the number of NGVs on the road – will be the most powerful economic driver for the capture of methane from landfills, wastewater plants, farms, and other sources in California and across the country. This unsurpassed ability of natural gas as a transportation fuel to drive reductions of SLCPs through upstream methane capture is a critical linkage to make in helping policymakers maximize the environmental and societal benefits of natural gas.

There are a number of policy prescriptions that follow from this linkage. On the supply side, the LCFS program should be extended to 2030 or beyond to provide RNG project developers greater certainty that these credits generated by transportation use will be available over the long term. The state should

¹ Communications with David Cox, Director of Operations and General Counsel, RNG Coalition



also increase direct financial support for projects that capture and clean up biogas, using existing funding sources such as CEC's AB118 program as well as new sources such as ARB's cap and trade revenues. A review of the Public Utility Commission's standards for RNG injection into state pipelines, which are considered overly stringent by many stakeholders, would also facilitate the harnessing of in-state RNG resources – although it is important to note that, since climate change is global, the use of out-of-state RNG resources provides the same SLCP emission benefits as in-state resources.

On the demand side, the state has several means available to increase the adoption of more NGVs – which will be necessary to drive the economics of new biogas capture projects since the RNG demand provided by the current NGV fleet is rapidly becoming saturated. CEC's AB118 funding for NGV rebates is a critical source of economic support that should be maintained and even increased, given the fact that the most recent round of incentive funding was oversubscribed within weeks of its announcement. Rebates for vehicle purchases could be further augmented by funding from cap and trade revenues.

Finally, one of the most powerful drivers for the increased deployment of NGVs would be their inclusion under the next phase of ARB's Zero Emission Vehicle (ZEV) mandate as a Transitional ZEV. Much like the hydrogen-fueled internal combustion engine vehicles (HICEV) that will be awarded partial TZEV credits for 2018 and beyond, RNG-fueled NGVs use a near-zero (or even negative) GHG emission fuel and utilize the same kinds of gaseous fuel storage systems as hydrogen fuel cell vehicles – and, unlike HICEVs, automakers and upfitters have certified NGV vehicles ready for the market *today*. Partial ZEV credits have played a major role in pushing automaker production of NGVs such as the CNG Honda Civic in the past, and targeted ZEV credits for light trucks NGVs could make RNG the fuel of choice in California for low-MPG light-duty pickups and cargo vans.

While NGVs currently account for a very small share of overall natural gas consumption in the state, the transportation sector could play the largest role of any end use in realizing the hugely positive environmental and societal benefits of harnessing RNG. We hope that the final AB 1257 report recognizes this linkage and encourages the kinds of policies and regulations the state needs to take full advantage of it.

Respectfully submitted,

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