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CEC Regulation Title 20 CCR 3103 - AB 118 Funding Restrictions

Additional submitted attachment is included below.

THE COALITION FOR RENEWABLE NATURAL GAS

February 11, 2015

Janea A. Scott, Commissioner
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Via Email: c/o Michele Lorton at Michele.Lorton@energy.ca.gov.

Subject: CEC Regulation Title 20 CCR 3103 – AB 118 Funding Restrictions

Dear Commissioner Scott:

The Coalition for Renewable Natural Gas (RNG Coalition) thanks you for your consideration of our comments regarding the interpretation to Title 20 CCR 3103 (3103 Regulation) and its disparate impact on our Members.

RNG Coalition is the non-profit organization representing the renewable natural gas industry. Our membership includes leading renewable energy project developers, financiers, engineers, organized labor, law firms, gas & power marketers, gas & power transporters, waste collectors, waste management & recycling companies, manufacturers, technology & service providers, gas utilities, environmental advocates, business intelligence and research organizations.

The 3103 Regulation (as currently interpreted) has proven problematic to RNG Coalition Members. Specifically, the Regulation seems to impose restrictions on AB 118 grantees that would force them to discount the value they would otherwise receive for LCFS credits (and perhaps also RFS2 RINs). These credits are a key financial underpinning in the process of RNG project finance and development. When RNG producers look to invest, build, or sell their ultra-low carbon fuel into a transportation fuels market, credit availability and pricing are critical to their decision on whether to proceed. The 3103 Regulation has had a chilling effect on our Members such that the prospect of losing even some of their credit value has discouraged them from seeking grant assistance provided by AB 118 program funding.

RNG producers are voluntary “opt-in” parties to credit generating programs such as the LCFS. As a commodity, the cellulosic biofuel produced provides GHG-reducing and Renewable-incentivizing programs with valuable environmental benefits. Although previous regulatory language from the CEC has specifically referenced "opt-in" parties, imposing this restriction on voluntary opt-in parties surely could not have been the intent of the authorizing legislation.

Unfortunately, whether intended or not, the prevailing interpretation of the current AB 118 Program is that applicants must discount the value of credits in proportion to the funding received. This value loss is so significant to RNG producers that many will not apply to participate in the program.

The Renewable Natural Gas industry looks forward to a robust future in California. However, in order to secure that future and realize the many economic and environmental benefits available to our State, it is necessary for our leaders to re-examine our laws and regulations, and work to remove barriers that prevent such growth.

As such, we request your review of the Section 3103 Regulation and modification of the rule to clarify that voluntary opt-in program participants are not required to discount their credit value as a condition of receiving AB 118 grant funding.

Thank you again for your kind consideration of our comments. Please let us know if the RNG Coalition can serve you as a resource in any way.

Yours In Service,

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