

## DOCKETED

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| <b>Project Title:</b>   | Renewable Gas                    |
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| <b>Organization:</b>    | Clean Energy                     |
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*Comment Received From: Ryan Kenny*

*Submitted On: 7/14/2017*

*Docket Number: 17-IEPR-10*

**Comments: 17-IEPR-10: Renewable Natural Gas**

*Additional submitted attachment is included below.*



The Honorable Robert Weisenmiller, Chair  
California Energy Commission  
1516 Ninth Street  
Sacramento, CA 95814

July 14, 2017

Re: Comments on the 2017 Integrated Energy Policy Report – Renewable Gas

Dear Chair Weisenmiller:

On behalf of Clean Energy, we would like to submit comments concerning the 2017 Integrated Energy Policy Report (IEPR) on renewable natural gas (RNG). Our company was a strong supporter of SB 1383, specifically the inclusion of the language to promote RNG. We believe this will greatly contribute to a diversified and decarbonized gas sector in our state, which is currently comprised of more than 99% fossil fuel.

As North America's largest provider of natural gas and renewable natural gas transportation fuel with over nineteen years of leading industry experience, Clean Energy provides construction, operation and maintenance services for refueling stations nationwide. Headquartered in California, we have a deep understanding of the growing marketplace, and our portfolio includes over 589 stations in 43 states, including a significant presence of 165 stations in California.

Already used as a clean, low carbon source of energy around the world, natural gas is abundant and proven to be a cost-saving alternative fuel to diesel and gasoline. Natural gas for transportation fuel strengthens our economy with lower fuel costs, increases our energy security, and significantly benefits our environment by reducing carbon emissions and smog-forming NOx emissions by up to 23% and 90%, respectively, relative to diesel fuel. Carbon emissions are reduced even further – approximately 80% to 90% - when renewable natural gas (RNG) is used to power our engines compared to diesel.

The highest and best use of RNG is as a transportation fuel, replacing environmentally harmful, unhealthy and expensive diesel fuel with either a blend of conventional natural gas and RNG, or 100% RNG fuel. RNG is the lowest carbon-intensity and most cost effective alternative transportation fuel available for medium- and heavy-duty vehicles. This is a fuel with a feedstock that should be protected, promoted and incentivized – whatever its source.

Clean Energy last year produced over 60 million gallons of RNG transportation fuel. Utilizing RIN and LCFS credits, we are able to be competitive in California relative to the cost of diesel fuel, thus why we only provide RNG at our 165 fueling stations in our state. We not only meet current market demand, but believe we have plenty of capacity to meet additional future demand.

Unfortunately, barriers remain preventing our company and much of our industry from producing RNG in California. Last year, for example, the legislature and governor made a preliminary budget appropriation from Cap and Trade auction revenues for biofuels, which included RNG. RNG especially needs such support for infrastructure development. However, when the final bill was passed such funding was eliminated. California needs to devote funding for RNG infrastructure development.

We were pleased a bill passed last year increasing the per project cap from \$1.5 million to \$3 million for a fixed CPUC program pot of \$40 million that covers 50% of a project's interconnection costs. This cap increase will

accelerate the development of biogas projects where the gas is not needed onsite but rather can be used elsewhere such as for transportation fuel. And requiring a producer such as our company to cover 50% of the costs will result in a public-private partnership that will incentivize keeping costs to a minimum and maximizing the benefits. The bill removed the financial barrier to instead create a viable incentive so California businesses can produce in-state RNG. However, this is only a small start and much more is needed.

Unfortunately, in-state production of RNG is not really occurring and being left to the benefit of other states for three main reasons:

1. A California Public Utilities Commission (CPUC) tariff mandates the most stringent gas quality cleanup standards in the country and presents cost-prohibitive technical challenges;
2. A CPUC tariff for mandated gas quality testing is cost-prohibitive and requires highly sophisticated testing. This has inherent risk of false positives and inaccuracies that will jeopardize the productivity of any biomethane plant injecting RNG into the California gas grid;
3. Pipeline interconnection costs remain cost-prohibitive to the biomethane producer and are required to be paid entirely by the biomethane producer despite the fact that RNG injected into the gas grid provides a significant benefit to natural gas ratepayers via improved environmental benefits and gas supply diversity.

In addition, we join our trade association, the Bioenergy Association of California, with these concerns outlined in detail in their letter on this subject:

1. Need to provide long-term market certainty for renewable natural gas;
2. Need to adopt technology-neutral definitions and incentive programs;
3. Need to facilitate pipeline and transmission line access;
4. Need to increase incentives for renewable natural gas and low emission vehicles;
5. Need to Increase RD&D for Renewable Gas;
6. Determining priority end uses.

#### CONCLUDING REMARKS

Clean Energy has actively supported the state's environmental and public health goals, and has been a highly active stakeholder in exploring and recommending public policies for how California can meet its statewide clean air goals with particular interest in the South Coast and San Joaquin Valley air basins. It is rightfully acknowledged in the SIP that a failure to remedy the transportation sector will result in California's inability to meet the reductions of nitrogen oxide (NOx) required by the 2023 and 2031 federal deadlines, respectively. It is vitally important that such remedies promote both public health and a strong economy to achieve critical state air quality, energy, and social justice goals.

Failure to be more inclusive of near-zero emission strategies, especially focused on RNG, will almost certainly compromise the successful implementation of the following state environmental goals:

- Mandated federal 8-hour ozone attainment goals for NOx reduction in 2023 and 2031;
- Improved conditions for disadvantaged communities;
- Meet the LCFS goal of 10% greenhouse gas emissions (GHG) by 2020 and 30% by 2030;
- 40% GHG reduction below the 1990 level by 2030;
- 50% petroleum reduction by 2030;
- 80% GHG reduction by 2050;
- Significant reductions in short-lived climate pollutants.

Thank you for considering our views. We look forward to continued discussions and policy considerations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Kenny". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ryan Kenny  
Senior Public Policy & Regulatory Affairs Advisor  
Clean Energy