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2017 Draft IEPR Public Comments

Additional submitted attachment is included below.



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

November 13, 2017

Re: Comments on the Draft 2017 IEPR

Dear Chairman Weisenmiller:

On behalf of Clean Energy, thank you for the opportunity to provide comments on the Commission's 2017 draft Integrated Energy Policy Report (IEPR).

As North America's largest provider of natural gas and renewable natural gas transportation fuel with over twenty years of leading industry experience, Clean Energy provides construction, operation and maintenance services for refueling stations nationwide. Headquartered in California, our portfolio includes 533 stations in 43 states, including a leading presence of 165 stations in California.

The draft appropriately acknowledges the critical role of renewable natural gas (RNG) and effectively discusses the technical opportunities and challenges of the industry. Staff should be commended for their exhaustive, hard work on the document. However, the recommendations are muted, do not go far enough, and are in need of improvement if the state is serious about accelerating in-state production. Specifically, several of our most important recommendations from our July 2017 letter were not addressed.

The draft IEPR recommendations largely reflect existing policy and fail to propose new policies and incentives to significantly increase biogas and biomethane production and use, as SB 1383 requires. This is exemplified with the inclusion of the recommendation to "Continue the Low Carbon Fuel Standard (LCFS)," as this is under much less pressure now, especially since it has been codified in SB 1.

On page 293 it is noted that "projects and policies supporting cost-effective renewable gas development and use in California are important to achieving a significant reduction of methane and help achieve the short-lived climate pollutant goal of reducing methane 40 percent below 2013 levels by 2030." Furthermore, the draft acknowledges with this statement the need for additional policy guidance in order to capture the full potential of the many benefits of renewable natural gas: "Additional policies may be needed, and agencies may also need to modify, reconfigure, and enhance existing regulations, policies, and programs to fully enable cost-effective commercialization of renewable gas and maximize methane emission reductions."

Unfortunately, the draft does not provide the necessary policy guidance California needs to have a viable in-state renewable natural gas market, and fails to meet the requirements of SB 1383 that the Commission develop policies needed to meet Short-lived Climate Pollutant reduction goals. Section 39730.8(c) of the Health and Safety (H&S) Code requires that "state agencies shall consider, and, as appropriate, adopt policies and incentives to significantly increase the sustainable production and use of renewable gas, including biomethane and biogas." Therefore, we respectfully request close consideration of the following recommendations which we believe are fundamental to fulfilling the aforementioned requirements of SB 1383 and the H&S Code.

Recommendations:

1. Provide Long-Term Market Certainty

The draft discusses the need for “long-term market certainty for renewable gas,” yet only mentions pilot projects by CARB. This section does not discuss the CEC’s plans for how to obtain long-term market certainty, including the potential adoption of a renewable gas standard (RGS). The combination of a RGS with a long-term guarantee of LCFS credit values will help provide greater market certainty for renewable gas used in the transportation sector.

2. Remedy Cost-Prohibitive Barriers

The draft IEPR ignores the SLCP’s statements that state agencies must improve the interconnection process to help the state meet its SLCP goals. California will not have viable in-state production of RNG unless the problem of high interconnection costs is properly addressed and remedied. Further, the problem extends to CPUC tariffs that make it both cost-prohibitive to test renewable natural gas prior to its injection into the pipeline and adds unnecessary gas cleanup costs.

The draft IEPR does not touch on these problems, but rather states “...the CPUC should continue to evaluate methods to facilitate increased use of renewable gas” regarding completion of dairy pilot projects. The draft also discusses the need for the CPUC to consider “current monetary incentive programs for renewable gas production and pipeline interconnection” but does not address the aforementioned problems.

3. Improve on the Transportation Policy Recommendations

Do so by including the nexus with the Sustainable Freight Strategy, which incorporates the use of biogas as the most valuable way to reduce carbon and air pollution emissions.

4. Coordinate on a Strategy for Available GGRF Moneys for Near-Zero Heavy-Duty Vehicles which Operate on RNG

Page 292 notes, “Natural gas trucks and buses compete well on fuel price with diesel vehicles, but natural gas trucks and buses cost 15 to 20 percent more than equivalent diesel vehicles and will require incentives to cover differential costs until vehicle costs reach parity with diesel vehicles. New natural gas engines can also offer a low nitrogen oxide tailpipe emission benefit to help comply with the 2023 National Ambient Air Quality Standards.”

The legislature in September appropriated via the Greenhouse Gas Reduction Fund over \$500 million in potential funds for projects like low NOx vehicles operating on RNG, yet this is not discussed in the draft. The CEC should coordinate with ARB on how best to maximize the use of this funding relative to the IEPR and SLCP requirements.

With the new moneys available, a mandate by the legislature and coordination between the CEC and ARB, we believe this statement here from the draft IEPR would be less of a problem: “The most notable challenge for renewable gas use within the next 5 to 10 years is the limited number of models and production volume of natural gas vehicles – the most likely near-term transportation option for renewable gas.”

In addition, we strongly support this recommendation here and hope the CEC takes an active role to its conclusion: “encourage renewable gas for state fleets with low NOx engines.”

5. Increase Research and Development Funding

Funding for the natural gas PIER program should be increased to \$75 million per year. Further, such investments should be focused on renewable gas production and use. These additional funds will support making RNG a significant percentage of total gas in the pipeline system.

In addition, we join our trade association, the Bioenergy Association of California, with the concerns outlined in detail in their letter on this subject which include but are not limited to:

- Amending H&S Code section 25420(a) to define “biogas” as the gas from anaerobic digestion of organic materials **or the noncombustion thermal conversion of eligible biomass feedstock consistent with Section 40106 of the Public Resources Code;**
- ARB, CalRecycle, and the Department of Food and Agriculture should set performance criteria for the Low Carbon Transportation Fund, Organics Diversion and Dairy Methane programs, respectively, rather than choosing specific technologies;
- The CEC should allocate a much larger portion of the ARFVTP to biomethane and other forms of renewable gas to meet the goals of SB 1383; and,
- Increase Self-Generation Incentive Program funding for renewable gas generation and use.

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

Sincerely,



Ryan Kenny
Senior Public Policy & Regulatory Affairs Advisor – Western U.S.
Clean Energy