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## **SoCalGas Comments on IEPR Near Zero Workshop**

*Additional submitted attachment is included below.*



Tim Carmichael  
Agency Relations Manager  
State Government Affairs  
925 L Street, Suite 650  
Sacramento, CA 95814  
Tel: 916-492-4248  
*TCarmichael@semprautilities.com*

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**Subject: Docket 20-IEPR-02 Comments on Workshops on Fuel Cell Electric Vehicle Market Status**

Southern California Gas Company (SoCalGas) appreciates the opportunity to comment on the California Energy Commission (CEC) Workshops on Near-Zero Emission Vehicles and Low-Carbon Fuels Workshop held on July 29, 2020, as part of the 2020 Integrated Energy Policy Report Update.

SoCalGas supports a portfolio approach of different technologies to achieve these goals, including natural gas, plug-in electric, and hydrogen. Near-zero emission vehicles, particularly in the heavy-duty trucking sector, are integral in meeting the State’s near-term air quality and long-term carbon goals to immediately improve public health. As Dr. Matt Miyasato from the South Coast Air Quality Management District pointed out in the panel discussion, the South Coast Air Basin has attainment deadlines of 2023 and 2031; heavy-duty trucks are the top NOx source and needs to reduce emissions by 60%. While plug-in electric and hydrogen heavy-duty trucks continue to develop from a technology standpoint and begin to build commercialization and scale, natural gas near-zero emission trucks will be able to displace diesel and provide much needed NOx emission reductions to achieve 2023 attainment deadlines. Additionally, near-zero engines, when powered by renewable natural gas achieve co-benefits in greenhouse gas emission reductions. Depending on the source, renewable natural gas can achieve a carbon negative status.

Dr. Jeremy Martin from the Union of Concerned Scientists expressed concerns with the efficacy and availability of renewable natural gas as a transportation fuel. At the end of 2019, renewable natural gas comprised over 78 percent of all-natural gas used in the transportation sector, which was reported under the Low Carbon Fuel Standard (LCFS).<sup>1</sup> The California Air Resources Board (CARB), through the LCFS, calculates and verifies the carbon intensities and volumes of fuel in the program. Through this, CARB has assigned renewable natural gas the lowest scores of any fuels in the program. AMP Americas, a renewable natural gas producer, was assigned a carbon intensity of (-) 254.94 carbon dioxide equivalent units per mega joule (CO2e/MJ) for one of its dairy digester projects. Further, Cliff Gladstein, from Gladstein, Neandross and Associates

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<sup>1</sup> California Air Resources Board, Low Carbon Fuel Standard Dashboard, May 31, 2020.

addressed Dr. Martin’s availability concerns during the workshop. Mr. Gladstein presented a study that determined that 119 million gallons of the diesel gallon equivalent (DGE) of in-state renewable natural gas will be available through existing projects by 2024. This fuel has an average carbon intensity of (-) 101.74 CO<sub>2</sub>e/MJ and can fuel an additional 13,371 heavy duty trucks annually. Assuming a fifteen-year life for each vehicle, this hypothetical fleet can generate up to 51.4 million metric tons of CO<sub>2</sub>e and 20.8 thousand tons of NO<sub>x</sub> reductions.<sup>2</sup>

Additionally, the LCFS provides financial incentives for low carbon fuels through the issuance and sale of credits. While the program has successfully encouraged the production and sale of low carbon fuels, such as renewable natural gas, the financial incentives are only offered to transportation fuels. As such other commercial or industrial uses are unable to acquire these benefits. Currently, there is no business model or product stream to divert renewable natural gas for other uses. Until this development, and while zero-emission technologies continue maturing, it makes sense to leverage transportation uses to unlock the potential of renewable natural gas and its abundant resources all while achieving immediate criteria and carbon emission reductions. Thus, SoCalGas disagrees with Dr. Martin’s statement that renewable natural gas is not a “particularly valuable transportation fuel.”

During the workshop, the panel was asked by the moderator, “What actions can accelerate or decelerate the promising adoption trend of near-zero technologies?” Several panelists were aligned in responding that market signals play a very important role. Unfortunately, many of the market signals discourage the use of the technology and, instead, encourage the status quo – usage of diesel. Such signals include:

- Uncertain policies. Fleets that already have near-zero technologies are prepared to purchase more to expand their fleets, however, they are concerned that the policies will continue to change which could result in an earlier turnover requirement and stranded assets.
- Zero-emission only policies. One of the panelists stated that many of the recent State policies and regulations show that California frowns upon the near-zero technologies and even renewable natural gas as a whole and places it at a disadvantage compared to zero-emission technologies. Zero-emission only policies will only see a handful of diesel replacements in the near term, where near-zero technologies could result in thousands of diesel replacements.
- Sole focus on long-term goals. The State has been focusing largely on the long-term goals giving little deference to near term attainment goals. During this discussion, Dr. Miyasato even said that the South Coast “keeps raising our hands and say, “hey you know we’ve got an attainment deadline.” Even with a looming threat of sanctions on the South Coast region if attainment is not met on time, the State has not been sending strong signals on the need for near-term emission reduction and technology implementation. It is very important to recognize that near-term attainment goals are a public health issue that the State de-emphasizes in preference to long-term only climate goals.

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<sup>2</sup> “An Assessment: California’s In-State RNG Supply for Transportation 2020-2024, Gladstein Neandross and Associates, 2020.

SoCalGas agrees with these comments. Market signals matter for users and service providers as it guides investment decisions. State agencies should make a concerted effort to send market signals that encourage the early investment and implementation into near-zero technologies. Without incentives for near-zero technologies, fleet owners are making the decisions to purchase ten of thousands of diesel vehicles that will be around for decades because they comply with laws, are much cheaper, and don't have the uncertainty of refueling issues. Thus, a focus on long-term climate goals to the exclusion of incentives for near-zero technologies directly undermines our ability to achieve those very goals.

In conclusion, SoCalGas provides these comments to support a portfolio approach, including near-zero vehicles and low carbon fuels, that we believe will help California achieve our aggressive air quality and climate goals more quickly. SoCalGas is available to provide additional input if needed.

Sincerely,

*/s/ Tim Carmichael*

Tim Carmichael<sup>[REDACTED]</sup>  
Agency Relations Manager  
Sempra Energy Utilities