

**Comments of the Center for Energy Efficiency and Renewable Technologies on the
Use of Biomethane Delivered via the Natural Gas Pipeline System for
California's Renewables Portfolio Standard**

California Energy Commission
Docket Numbers 02-REN-1038 and 11-RPS-01

11-RPS-01

DOCKET

02-REN-1038

DATE _____

RECD. SEP 30 2011

Submitted by

Danielle Osborn Mills
Policy Director
1100 11th Street, Suite 311
Sacramento, CA 95814
(916) 442-7785

The Center for Energy Efficiency and Renewable Technologies (CEERT) appreciates the California Energy Commission's (CEC) convening a workshop to foster discussion about the complex issues related to the use of biomethane under California's Renewables Portfolio Standard (RPS).

From CEERT's perspective, biomethane applications that provide environmental and economic benefits to the state should be encouraged, however not to the point where they compromise the state's existing progressive renewable energy and climate goals. The following points support this statement:

- CEERT supports a change in policy that would allow injecting biomethane into California's natural gas pipeline for in-state use.
- The CEC should consider forward-haul transportation of the out-of-state biomethane – on a net basis – for new contracts to ensure the potential for physical, directional flow of the resource to the delivery point.
- Various transactions have different value to California depending on the resource (fuel source), its location, and its application. The decision of whether to deem biomethane to be eligible for the RPS under SBX1 2 depends on the characteristics of specific transactions, some of which we believe should be encouraged more than others.

Use of In-State Directed Biomethane

CEERT understands that AB 4037 (Hayden, Chapter 932, Statutes of 1988) effectively precludes using California landfill gas in gas pipelines while allowing utilities to purchase out-of-state landfill gas without restrictions. CEERT would support efforts to reexamine this law and consider allowing injection of California landfill gas for use in the state's

electricity generation facilities. CEERT's support is predicated on the assumption that industry assurances can be met: that the landfill gas can be cleaned and preconditioned so that the emissions resulting from the use of this resource in power generation will meet the strictest California community health standards. Moreover, the development of in-state landfill gas resources should not serve as incentive encouraging the diversion of organic wastes to California landfills. State policy should work to further encourage the diversion of more organics away from landfills and for use in biogas generation at digester facilities.

CEERT believes that it makes sense to allow in-state fuel sources to be injected into the California pipeline in order to serve California loads for the purposes of meeting the state's RPS under SB X1 2. CEERT supported the use of in-state directed biogas in its reply comments to the California Public Utilities Commission (CPUC) in R. 10-05-004, regarding the implementation of the SGIP program. CEERT believes that in-state directed biogas would help to meet state GHG emission reduction goals, would concentrate the economic benefits within the state, and would be administratively practical.

Forward-Haul Transportation of the Out-of-State Biomethane

CEERT believes that the current regime allowing backhaul transportation fails to consider directional flow of interstate pipelines and should probably not be counted for anything more than a Category 3 transaction. We recognize the challenges associated with determining the directional flow of the pipeline system, and that several long-term contracts have already been signed with resources that allow for backhaul transportation. Therefore, CEERT would not object to the grandfathering of existing contracts should the CEC decide to increase restrictions on out-of-state biogas. We do, however, suggest considering forward-haul transportation of out-of-state biomethane – on a net basis – in the next revision of the RPS Eligibility Guidebook.

Qualifications of Various Biomethane Products under SB X1 2

As mentioned, CEERT believes that not all biomethane projects are created equal in terms of their environmental and ratepayer benefits. CEERT might rank some of the various types of transactions in the following order, from highest to lowest, in terms of value to California consumers:

- In-state onsite biogas
- In-state directed biogas (to the extent that it can be allowed to occur)
- Out-of-state biogas injected into a pipeline that can be demonstrated – on a net-basis – to *flow* into California

- Out-of-state biogas injected into a pipeline that cannot on a net-basis be demonstrated to physically flow into California

Unfortunately, CEERT does not view these various types of transactions as fitting neatly into each of the RPS Portfolio Content Categories outlined in SB X1 2, and suggests that the CEC work closely with CPUC staff to ensure that the eligibility of biomethane projects reflects the pending CPUC decision on the portfolio content categories.

Despite the challenges associated with applying natural gas transactions to a statute that was crafted for the purposes of classifying electricity transactions, some transactions are more straightforward than others (Table 1).

Category 1	Uncertain	Category 3
In-state onsite biogas	Out-of-state biogas injected into a pipeline that can be demonstrated – on a net-basis – to flow into California	Out-of-state biogas that cannot on a net-basis be demonstrated to physically flow into California
In-state directed biogas		

Table 1. Suggested Categorization of Various Biomethane Transactions for Portfolio Content Categories under SB X1 2.

Using this categorization, CEERT suggests that the CPUC and CEC focus their efforts on developing a policy for the treatment of out-of-state biogas injected into a pipeline that can actually flow to California. CEERT cautions the CEC against overly-generous treatment of out-of-state biomethane resources for the 33% RPS, which could perpetuate an over-reliance on natural gas-fired generation and take up space in a market that should be reserved for technologies with real environmental benefits to California ratepayers.

Conclusion

The treatment of these products is a sensitive topic among the renewable energy advocacy community, and CEERT's position will likely evolve with further discussion. Yet we remain focused on improving air quality and mitigating climate change by displacing fossil fuels with renewable generation.

Respectfully Submitted,
 Danielle Osborn Mills
 Policy Director
 Center for Energy Efficiency and Renewable Technologies
danielle@ceert.org