



April 22, 2019

Mr. Jim Duffy  
Chief, Transportation Fuels Branch  
California Air Resources Board  
1001 I St, Sacramento, CA 95814

**RE: Comments on April 5<sup>th</sup> Workshop on LCFS Cost Containment**

Dear Mr. Duffy,

The Coalition for Renewable Natural Gas<sup>1</sup> (RNG Coalition) offers this letter in support of the California Air Resources Board (CARB) Staff's concept for additional credit market price containment within the Low Carbon Fuel Standard (LCFS) as presented at the April 5<sup>th</sup> workshop.

***We Support Appropriate Price Ceilings and Floors in Credit Markets to Increase Investor Certainty***

The RNG Coalition supports the creation of credit-price-containment mechanisms in tradeable environmental credit markets—both generally and as outlined specifically by Staff's proposal for the LCFS. Such features can increase investor certainty in credit markets and provide consumer protection.

Any such cost containment mechanisms should be designed so that operating low carbon fuel projects have ample opportunity to monetize the credits—which they've generated from proven emission reductions—prior to the availability of additional flexible compliance options, such as forward crediting. We believe the existing Credit Clearance Market and Staff's proposal for advanced crediting of certain types of future greenhouse gas reductions will fit well together in this regard.

Any firm ceiling price must remain well above the upper bounds of a credible assessment of the long-run social cost of carbon.<sup>2</sup> Tying the ceiling price to a strong upper bound estimate of the social cost of carbon ensures that investments that cost-effectively help address the potentially catastrophic environmental damages associated with climate change are properly valued and incented.

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<sup>1</sup> The RNG Coalition advocates for the increased development, deployment and utilization of RNG, and availability of domestic, renewable, clean fuel and energy in California and across North America.

<sup>2</sup> The current "soft" LCFS ceiling price of \$200/credit (in 2016 dollars) meets this test.

Floor prices, and other mechanisms to hedge downside price risk, are also helpful in increasing investment certainty and motivating project development using credit revenue.<sup>3</sup> We ask that CARB continue to support the RNG industry's efforts to develop such a mechanism for the LCFS through Assembly Bill 1156 (Garcia, 2019).

***Consider a More Technology-Neutral Set of Actions Eligible for Forward-Crediting***

If CARB moves forward with the creation of a forward crediting mechanism, the permissible actions that could receive forward crediting could be expanded beyond electric vehicle charging, if necessary. For example, existing RNG projects offer an analogous stream of future greenhouse gas reductions that could be forward credited if needed to contain prices. Alternatively, credit could be given for infrastructure to promote increased RNG development, deployment and utilization.

On behalf of the Coalition for Renewable Natural Gas, thank you very much for the opportunity to comment. We look forward to the continuing dialogue on these issues.

Sincerely,



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<sup>3</sup> As discussed in CARB Staff's whitepaper on pilot financial mechanisms.  
[https://arb.ca.gov/cc/shortlived/final\\_sb1383\\_financial\\_pilot\\_mechanism\\_whitepaper.pdf](https://arb.ca.gov/cc/shortlived/final_sb1383_financial_pilot_mechanism_whitepaper.pdf)