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Mr. Sam Wade
California Air Resources Board
1001 "I" Street
Sacramento, CA 95812

Subject: Comments to Air Resources Board LCFS Workshop – SB1383 Pilot Financial Mechanism

Dear Mr. Wade,

Southern California Gas Company (SoCalGas) appreciates this opportunity to comment on the SB1383 Pilot Financial Mechanism Workshop, held on June 26, 2017. We provide these recommendations on advancing an innovative financial mechanism to accelerate the development and deployment of infrastructure to capture and process renewable gas in California markets.

- 1. Conduct additional workshop(s) to resolve outstanding issues.** SoCalGas recommends that ARB consider all relevant stakeholders that will have an impact and/or be impacted by the implementation of a proposed financial mechanism, and host targeted workshops that will engage all parties. In consideration of the financial mechanism, SoCalGas urges substantial engagement from the private and public sector with a focus on an array of stakeholder categories, including but not limited to:
 - Financial Participants
 - Project Financiers – Debt & Equity
 - Commodity and Financial Brokerages
 - Capital Markets Services
 - Financial Advisory Services
 - Project Developers and Project Sponsors (e.g., Dairy Farmers)
 - Publicly Owned Utilities and Municipals
 - Permitting Agencies
 - Insurance Organizations
 - Engineering Procurement and Construction (EPC) vendors, Original Equipment Manufacturers, Technology Providers (OEMs)

Crucial considerations that should be addressed in these workshops include:

- What is the floor price for Low Carbon Fuel Standard (LCFS) credits that will make the dairy projects bankable? What level of grants (e.g., California Department of Food and Agriculture Dairy Digester Research and Development Program grants) and other incentives (e.g., Renewable Fuel Standard Renewable Identification Number credits – “RINs”) should be included in the estimation of such floor price?
 - Should actions that leverage and grow renewable gas supply to the LCFS market take into consideration its current high penetration, and include measures to expand demand to capture these new resources without displacing existing renewable gas supplies?
 - Funding and liquidity mechanisms – Which State agencies are responsible for funding and managing liquidity and what are those sources of funds?
 - Who will mediate, administer and enforce the program to preserve the integrity of the financial mechanism?
2. **Provide price stability.** On a foundational level, the proposed financial mechanism must have appropriate controls in place that will improve the long-term predictability of revenue generated from these credits, create liquidity for credits generated, and provide a definitive timeline for the mechanism. By achieving these things, the California renewable gas market will benefit from increased financial stability necessary to attract sufficient and affordable financing for project development. Achieving revenue stability is paramount to develop the infrastructure necessary to achieve California’s short-lived climate pollutant and environmental goals.
 3. **Review existing studies and current development.** Existing academic studies and current in-the-field development efforts should be evaluated to ascertain cost to produce renewable gas from dairy manure.
 4. **Evaluate program stability and interrelationships with other government programs.** ARB should consider how well the proposed mechanism would operate alongside existing government programs, and if there currently other government programs that could hinder or bring question to the validity/enforceability of the proposed financial mechanism now or in the future. If so, what protections could be put into place to protect it?
 5. **Allow competitive market-based pricing.** Allowing competitive market forces to drive pricing of any mechanism can help promote a fair and cost-competitive program. As identified by ARB at the June 26th Workshop, this could include the consideration of competitive bid programs, such as a reverse auction, to ensure that viable products receive proper support.
 6. **Urgency is needed on decisions made on this financial mechanism** to give the market sufficient time to substantially develop prior to the potential 2024 regulation date on dairy industry emissions.

SoCalGas looks forward to continue working with ARB, the other state agencies and industry stakeholders to help ensure successful implementation of SB 1383 and achieving California's 2030 GHG Reduction goals. Please contact me if you have any questions or concerns about these comments.

Sincerely,

Allison Smith
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