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VIA ELECTRONIC MAIL

Department of Ecology
Air Quality Program
300 Desmond Drive SE
Lacey, WA 98503

RE: NW Natural Comments – Chapter 173-441 WAC Reporting of Emissions of Greenhouse Gases Updates

Northwest Natural ("NW Natural" or "we") appreciated the opportunity to provide informal comment on the draft rule language for the Chapter 173-441 WAC, Reporting of Emissions of Greenhouse Gases (GHG) updates. NW Natural understands the importance of these rule updates to support the implementation of the Climate Commitment Act.

NW Natural has long supported the development of programs that effectively and equitably meet the State's greenhouse emissions reduction goals. We are also working vigorously to decarbonize our pipeline by 2050 via our own voluntary goal. NW Natural is hopeful that the Climate Commitment Act and the resulting Cap and Invest program will align and support decarbonization efforts and believes that carbon accounting and greenhouse gas reporting will play an important rule in the success of the program.

NW Natural's Business

In existence since 1859, NW Natural is a local distribution company (LDC) that provides natural gas service to roughly 2.5 million people via over 700,000 meters in Oregon and Washington (roughly 10% of which are in Washington). Throughout the region, the Company owns pipelines that carry gas to homes and businesses for water and space heating, cooking, and industrial processes.

General Comments

NW Natural currently provides greenhouse gas (GHG) reporting data at the federal level to the EPA. The vast majority of the emissions reported are from the combustion of natural gas by our customers; a very small percentage (approximately 1%) of the total emissions reported are emitted by our facilities and pipeline for the operation and maintenance of the utility and its distribution system.

NW Natural understands the need to include natural gas suppliers to the Washington state reporting program for use by the Climate Commitment Act. NW Natural feels that the use

existing methodologies like those used at the federal level, are important for consistency, but that the rule updates should also allow for the assessment of alternative fuels and future technologies. The proposed rule language for Chapter 173-441 WAC, improves on the existing reporting protocols but should be expanded to meet the state's greenhouse gas emissions goals.

Definitions
NW Natural is requesting that biomethane be defined in the rules. Section 173-441-122(4)(a) directs suppliers of natural gas to separately report the emissions from biomass-derived fuels, however 173-441-122(4)(b)(x) states that biomass-derived fuels must be reported as natural gas unless the LDC has elected to report the delivery as biomethane. As an LDC that is actively pursuing renewable natural gas for our customers, clarity on the definition of biomethane is important for us to determine how reporting of our fuels will occur under this program.

Covered Emissions
NW Natural is concerned that the scope of the fuel types and technology requested in this proposed rulemaking is too narrow and does not allow for current and future carbon reducing technologies and fuels. NW Natural would like to propose the inclusion of other carbon reducing technologies and carbon accounting methodologies in this program to better reflect the emissions actually generated from the LDC and its customers. Below is a summary of some of these items:

Biomass-derived fuels: As currently proposed in the draft rules, LDCs are allowed to report biomass-derived fuels separately from natural gas. NW Natural is concerned about the narrow scope of the biomass-derived fuels. The draft rule states that biomass-derived fuels that are purchased on behalf of and delivered to customers can be separated from natural gas emissions. Because of the interconnected design of the natural gas system and pipelines, much like the electric system, there is no way of tracking the specific molecule of gas purchased to a specific customer's meter. When an LDC purchases a biomass-derived fuel on behalf of customers, they are displacing that amount of natural gas on the system and therefore reducing the carbon emissions from the whole system. NW Natural suggests that biomass-derived fuels, including sources outside of Oregon that are attributed to use in Oregon through a tracking mechanism such as the Midwest Renewable Energy Tracking System (M-RETS) or other programs (see below), should be accounted for and represented in the WA greenhouse gas reporting program. To reflect the way that the natural gas system operates, NW Natural is proposing that the words "delivered to" be removed from the rule language and the addition of renewable thermal credits be addressed in the rule. As an example, the second sentence of 173-441-122(4)(b)(x) could be changed to read "*CO_2 emissions from biomass-derived fuel are based on the fuel or renewable thermal credits from biomass-derived fuels that the LDC has contractually purchased on behalf of ~~and delivered to~~ end users.*"

Pre-combustion and post-combustion carbon capture and sequestration: As NW Natural works to decarbonize our system, we are at the forefront of carbon reducing technologies and

fuel. Integral to some of these technologies is the concept of carbon capture and sequestration. NW Natural is requesting that pre- and post- combustion carbon capture and sequestration be included in the WA GHG Reporting program because these technologies reduce the GHG footprint of our operations and our customers' usage. Like other fuels already included or proposed for inclusion in the program, carbon capture and sequestration could be reported in terms of metric tons of CO_{2e} emission captured.

Including carbon capture and sequestration in the reporting program provides support for this technology and encourages its deployment and development. For customers in hard to decarbonize industries, post-combustion carbon capture provides one solution for their GHG emissions. As we work to decarbonize the fuel in the system, post-combustion carbon capture installed on customers' equipment provides another means of reducing the state's emissions.

In addition, pre-combustion carbon capture and sequestration is an important step in the development of some zero emitting fuels, like hydrogen, that can displace traditional natural gas in the pipeline. For this technology, the carbon that is generated from the partial oxidation or reformation of natural gas to produce hydrogen is captured and sequestered. In this scenario, only reporting the natural gas consumption (or oxidation) in the state would not reflect the actual emissions released. Natural gas would be used in the hydrogen production process, but it is not being combusted and the resulting emissions from the fuel use are never released to the atmosphere. Using only the volume of natural gas consumed would overestimate the emissions released. Like post-combustion carbon capture, pre-combustion carbon capture could be reported in terms of metric tons of CO_{2e} emission captured.

Finally, other fuels can be produced from waste CO_2 streams, such as synthetic methane, that are 100% compatible with the existing natural gas distribution system, and have carbon intensities essentially equal to that of the hydrogen used to create them. Under rules where emissions are reflected solely on the volume of natural gas combusted or oxidized, these synthetic fuels would have carbon counted twice, even though their carbon intensity is near zero.

NW Natural feels that proper carbon accounting, that is inclusive of carbon capture technology will be important for the success and accuracy of the Climate Committee Act.

Emissions Retired on Behalf of Customers and Other State or Federal Programs: Like carbon capture and sequestration, emissions retired on behalf of customers and state and federal programs represent real and verifiable emissions reductions. NW Natural would like the avoided emissions represented by these carbon reduction mechanisms included in the reporting rule. Examples of these programs include the Washington Low-Carbon Fuel Standard (LCFS) and the Federal Renewable Fuels Standard.

NW Natural also has a well-developed offset program, Smart Energy, already established for Washington customers and would like to make sure that our customers' voluntary actions to decarbonize are acknowledged and documented in the reporting of their combustion

emissions. These offsets are purchased based on quantities of metric tons of CO2e avoided and could easily be accounted for in the reporting programs.

Summary

As currently proposed, NW Natural feels that the updates to the reporting rules are too limited in scope, do not allow for innovation, and may stifle progress in the process of decarbonizing Washington's energy system. NW Natural requests some clarity on the reporting of biomethane and an expansion of the reporting program to include more options for fuels and carbon reduction technologies.

Thank you for your consideration of our comments. We look forward to the next phase of the rulemaking process and are happy to discuss more details of our comments and our vision for decarbonizing the natural gas system with the Ecology staff.

Sincerely,

/s/ Kellye Dundon

Kellye Dundon

cc: Rachel Assink, Ecology
Neil Caudill, Ecology
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