GENERATE

August 31, 2022

Rachel Assink
Department of Ecology
Air Quality Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: Generate Capital's Comments on Washington Clean Fuel Program Rule

About Generate

Generate Capital, PBC (Generate)[1] is a leading sustainable infrastructure company driving the infrastructure revolution. Generate builds, owns, operates and finances solutions for clean energy, water, waste and transportation. Founded in 2014, Generate partners with over 40 technology and project developers and owns and operates more than 2,000 assets globally.

Generate is the one-stop shop offering pioneers of the infrastructure revolution tailored funding and support needed to get projects built. Our Infrastructure-as-a-Service model delivers affordable, reliable and sustainable resources to over 2,000 customers, companies, communities, school districts and universities. Together, we are rebuilding the world.[2]

We Applaud Washington for Proposing a Strong Clean Fuel Rule, and for Valuing Input from the Clean Investment Community

We own and operate many sustainable infrastructure projects, in Washington and across the country, many of which relate to decarbonizing the transportation sector. They include renewable energy generation, electric bus fleets, hydrogen fuel cells, and anaerobic digestion (AD) facilities that produce renewable natural gas (RNG).

Our experience financing, building and operating these assets, gives us valuable perspective on what will help accelerate/enable the transformation of Washington's transportation (and related) infrastructure to address the climate crisis. We feel that the Department of Ecology's (Ecology) stakeholder processes should always find a way to include a role for the clean technology investor's voice.

Firms such as Generate are actively trying to turn the vision of a decarbonized Washington into reality, but there remain real world challenges that deserve attention from Ecology, and other senior Washington leaders, and we appreciate the chance to provide input on both what's working and what could be improved. Included herein are our suggestions to improve the Clean Fuel Program Rule (CFS or Rule) so that Washington can lead the nation in the cost effective, rapid decarbonization of the transportation sector.

[1] As a Public Benefit Corporation, we have a fiduciary duty to the public benefit, in additional to the classic fiduciary duty to serve our shareholders from a financial standpoint.
[2] For more information, please visit www.generatecapital.com.

We Support the Proposed 20% Target, Beginning in 2034, but Believe Even More Ambitious Targets Could be Set in the Future

As a finance provider, owner, and operator of a range of climate solutions in the transportation sector we strongly support ambitious Carbon Intensity (CI) reduction targets in CFS programs. The analogous California clean fuel program has been critical to giving our investment committee at Generate the confidence to green light our past investments in renewable transportation fuels and vehicles. These investments have also given us valuable knowledge and experience that has allowed us to advocate for similar policies in other jurisdictions.[3]

We support the draft rule's inclusion of the most stringent carbon reduction targets allowable by statute—including setting a goal of 20% CI reduction starting in 2034. We appreciate all of the considerations that Ecology has to factor into its decision about how to set the program's CI goals including: supply and demand for alternative fuels; carbon intensity trends of alternative fuels; clean fuels programs in other jurisdictions; and alignment with transportation and equity objectives.

As a key potential investor in this market, we maintain a set of analytical tools internally to attempt to assess supply and demand balance in this market and related credit markets (including California and Oregon's programs). Our current set of initial internal modeling, which includes these as well as many other market dynamics, shows that even greater ambition would be possible. We look forward to working with Ecology and Washington lawmakers to explore enhanced levels of ambition in the future to maximize GHG reductions in the transportation sector in Washington.

The Goal of Creating Methane Reduction Benefits from the Program's Waste Sector Overlap Should be Highlighted and the Role for Renewable Gases Expanded

Generate Upcycle (a subsidiary of Generate Capital) invests, owns, and operates sustainable infrastructure assets in the waste-to-value and circular economy sectors. We invest in waste-to-value solutions including organic waste processing through the use of composting and Anaerobic Digestion (AD), recycling, and wastewater treatment including biosolids processing.

We own and operate a portfolio of North American AD and composting facilities as well as other food waste recovery assets with additional initiatives across biosolids, wastewater treatment, sustainable fuels, and sustainable fertilizer production. Across more than 20 facilities in the U.S. and Canada, Generate Upcycle currently processes approximately a half a million tons of food waste annually and composts an additional 365,000 tons of organic waste per year.

More proper recognition of the facility-specific benefits for landfill diversion, to both composting and AD facilities, that directly leads to expedited funding for facility development is crucial to address methane emissions from organic wastes in Washington. Properly valuing the lifecycle CI performance of organic waste to Renewable Natural Gas (RNG)—and specifically the environmental/climate benefits of capturing and destroying methane as a powerful short-lived GHG—will be critical in helping to ensure that organic waste recyclers are able to scale up their operations in Washington and invest in best practices in maintenance/operations and in the highest quality monitoring technologies at their facilities.

[3] For example, Generate is a strong stakeholder voice in support of a Clean Fuel Standard for New York. See a list of partners in that effort here: https://www.cleanfuelsny.org/

Finally, the proposed rule's "book and claim" accounting methods—currently allowed primarily for tracking the origin of renewable gases used in natural gas vehicles (NGV)—should be extended to all possible end uses of RNG. If such appropriate flexibility is offered in the Final Rule, the RNG industry will be able to expand beyond its currently proposed role as a fuel for the small (but growing) Washington NGV fleet to also serve as a key clean input into making a more robust variety of low carbon fuels including SAF and other liquid fuels, hydrogen, and electricity for electric vehicles.

Such a change would align well with recently enacted federal tax credits for electric vehicles, alternative jet fuel and renewable gas (including hydrogen and biomethane) production in the Inflation Reduction Act,[4] all of which we are strongly supportive of.

A Portfolio of Technologies is Needed to Decarbonize Transportation, All Clean Fuels Are Well Supported by the CFS

Leaders at the highest levels of both climate science and the clean tech investment community agree that a balanced portfolio of technologies is the proper path forward to reach deep levels of decarbonization. For example, the Intergovernmental Panel on Climate Change (IPCC), in its most recent approved draft report on GHG mitigation, entitled *Climate Change 2022, Working Group III contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*,[5] states that:

> "Reducing GHG emissions across the full energy sector requires major transitions, including a substantial reduction in overall fossil fuel use, the deployment of low-emission energy sources, switching to alternative energy carriers, and energy efficiency and conservation."

Similarly, McKinsey Sustainability's report[6] exploring the net-zero transition finds that:

> "Effective actions to accelerate decarbonization include shifting the energy mix away from fossil fuels and toward zero-emissions electricity and other low-emissions energy sources such as hydrogen; adapting industrial and agricultural processes; increasing energy efficiency and managing demand for energy; utilizing the circular economy; consuming fewer emissions-intensive goods; deploying carbon capture, utilization, and storage technology; and enhancing sinks of both long-lived and short-lived greenhouse gases."

Continued leadership is needed to fully understand the lifecycle emissions implications and proper utilization methods for a variety of important fuel pathways that can be helpful in rapidly, and cost effectively, slashing GHG emissions from the transportation sector...

Conclusion

Generate shares Ecology's commitment to accelerating investment in low-carbon fuel production and the associated infrastructure buildout. We will continue to deploy billions of dollars of capital toward a broad set of solutions, and our commitment to continuously optimize toward the best answers is deep. We will keep our focus on the long-term outcomes of sustainability—as we say at Generate: our time horizon is forever.

---

[4] https://www.congress.gov/bill/117th-congress/house-bill/5376

[5] https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf

[6] https://www.mckinsey.com/business-functions/sustainability/our-insights/the-net-zero-transition-what-it-would-cost-what-it-could-bring

Such long-term investment is easier when policy in leading jurisdictions, such as Washington, remains supportive. Thank you for the opportunity to provide our input on the proposed CFS rule. We commend the dedicated staff and leadership at Ecology for their hard work during this process and look forward to continued investment to help the state achieve its environmental, economic, and social justice goals.

Signature,

Suzanne Hunt
Director, Policy