Mr. Adam Saul
Washington Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

December 13, 2024

Re: Informal Comments on Proposed Update to Clean Fuel Standard Program Rules (173-424 WAC)

Dear Mr. Saul:

Clean Energy would like to thank Department of Ecology (Ecology) staff for the opportunity to comment on the proposed concepts raised concerning biomethane in the Washington Clean Fuel Standard (CFS) update.

We remain committed as a collaborative partner to the clean air and environmental goals of Washington. As North America's largest provider of renewable natural gas (RNG) as a transportation fuel with over twenty-seven years of leading industry experience, we provide construction, operation and maintenance services for refueling stations. We have a deep understanding of the growing marketplace, and our portfolio includes over 600 stations in 43 states.

There is no more effective or immediate step we can take to address climate change than to aggressively and rapidly reverse fugitive methane emissions from all sectors, including society's organic waste streams through renewable natural gas (RNG) projects. Many RNG projects in planning and construction across North America currently rely on clean fuel standard revenues to be built, operate, and provide a return on investment for debt service.

We believe the Washington CFS provides private investment opportunities in projects that will capture avoided methane emissions and produce renewable natural gas as a transportation fuel to displace diesel in medium- and heavy-duty trucks. We, therefore, have the following concerns with the latest draft proposal:

- **We urge Ecology to protect book-and-claim accounting requirements for biomethane**.

Book-and-claim is successfully contributing to reduced amounts of carbon and avoided methane emissions. It is the preferred method for delivering RNG in North American clean fuel programs, including EPA's Renewable Fuel Standard,[1] the Canadian Clean Fuel Regulation, the Oregon Clean Fuels Program, and the Washington Clean Fuels Program, as well as for electricity and

[1] https://www.biocycle.net/biogas-rng-projects/

hydrogen projects. Gas utility procurement programs for RNG also primarily use similar concepts, and Europe's Renewable Energy Directive requires book-and-claim for successful RNG project buildout in the European Union.

The Ecology proposal is much more burdensome, constraining, and detrimental to the RNG market and places the overall success of the CFS program at risk. In fact, it is even more restrictive than what CARB recently adopted. CARB will only require the physical flow toward California after December 31, 2037, and not 2041, if the number of unique Class 3-8 ZEVs reported or registered in California exceeds 132,000 ZEVs or NZEVs on December 31, 2029.

The CFS needs to be stringent and continue rewarding projects. Remaining true to these core concepts will ensure Washington leads the world in rapid transportation sector decarbonization. Any restrictions for RNG projects to a geographic or functional area and elimination of book-and-claim capabilities would disrupt the market by stalling investment both in and outside of Washington, thereby reducing overall supply to Washington and subsequently missing environmental benefits that would otherwise be realized.

In California, for example, in-state producers cannot and will not come close to replacing the fuel volume lost if out-of-state producers are no longer allowed to participate in California. Out-of-state producers have and continue to make substantial contributions to California's climate and clean air goals as they will in Washington. Greenhouse gas emissions do not stop at Washington's borders, and most other states do not have clean fuel programs or come as close to Washington when it comes to tackling our climate crisis.

The proposed book-and-claim requirements by Ecology, or what was adopted in the California LCFS, are not an improvement to the prior accounting practices and should not be utilized by Washington. Book-and-claim accounting is a well-established method for tracking RNG as it is not possible to physically segregate delivery of renewable gas once it is intermingled with fossil gas in the pipeline system.

- **Avoided Methane Credit (AMC):**

We oppose a 14-year crediting period for projects which begin operations after 2023: while Ecology is not planning to eliminate avoided methane crediting (AMC), we are greatly concerned with the proposal which is more restrictive and hostile to the RNG market than what CARB recently adopted.

Any reduction of the AMC eligibility for dairy projects will disincentivize early dairy project investments that Washington needs to meet climate goals. This is especially true if credit prices remain low due to a lack of ambition in the regulation's CI reduction path. At some point, projects fail to pencil out economically and such an outcome would harm the state's climate goals.

Most dairy projects require long-term agreements with farmers and front-end manure management programs/infrastructure projects to be built at the dairy. AMC crediting is more essential now than in previous projects because the low hanging fruit projects have already been built. Reducing the crediting opportunity to two 7.5-year crediting periods changes the investment criteria, especially as future project opportunities are increasingly focused on smaller dairies that require longer periods to recoup digester investments. Removing the AMC tool used to combat emissions will materially chill the market and will likely result in no future projects, freeze current project construction that no longer pencil, or shut down existing projects that must go inoperable in order to avoid economic losses. **The proposed AMC crediting period is counterproductive to our climate goals, especially if there isn't a requirement to control methane. We strongly encourage the Department of Ecology to better understand the economics of these projects as CARB staff did with the industry during their public process.**

- **True-Up**:

We support the "True Up" which allows the state and project to recognize the true environmental benefits of the project and helps project owners recover otherwise lost credits during the temporary pathway certification period. However, we are concerned that the True-Up would not take effect until after "verification" of the operational CI data. The first True-up should be from the Temporary to the Provisional CI upon awarding of credits for the first quarter in which the Provisional CI score is approved for use.

The success of the CFS will be due to a broad portfolio of clean fuels working together to achieve substantial emissions reductions. Disincentivizing successful partnerships could strand billions of dollars of clean technology investment, delay transportation decarbonization, and extend the period where petroleum is the dominant fuel in Washington. The CFS must remain fuel-neutral, driven by Ecology's science-based analysis, capable of incentivizing real-world investment, and focused on performance-based GHG outcomes. Remaining true to these core concepts will ensure Washington is a leader in rapid transportation sector decarbonization.

Sincerely,

Ryan Kenny
Policy Director – Western U.S.
Clean Energy