

SkyNRG Americas (John Plaza)

See attached comments



July 31th, 2025

Adam Saul

Climate Pollution Reduction Program
Washington Department of Ecology
P.O. Box 47600
Olympia, WA 98504-7600

RE: Draft Rule for Chapter 173-424 WAC – Clean Fuels Program (CFP)

Dear Mr. Saul,

SkyNRG Americas (SkyNRG) is grateful for the opportunity to provide our insights on the draft rule, Chapter 173-424 WAC – Clean Fuel Standard (CFS), issued by the Washington Department of Ecology (Ecology) on June 16, 2025. We commend Ecology for its thorough rulemaking process and fully support its commitment to significantly reduce the carbon intensity (CI) of Washington's fuel mix while driving low carbon economic growth.

As discussed in our prior comment letters on this CFS rulemaking, SkyNRG is in the advanced stages of developing a state-of-the-art Sustainable Aviation Fuel (SAF) production facility in Eastern Washington, known as Project Wigeon.¹ This facility will produce SAF and renewable diesel (RD) on a commercial scale using cellulosic feedstocks like biomethane, also known as renewable natural gas (RNG). This process necessitates the use of mass balance accounting, also known as book and claim, to access the necessary RNG feedstocks to produce SAF at scale. SkyNRG's SAF is poised to slash lifecycle emissions by an impressive 105% compared to conventional jet fuel.² Furthermore, with electrification and other decarbonization alternatives for aviation still decades away, ramping up SAF production in Washington is absolutely essential to achieving the state's immediate climate goals.

SkyNRG's facility depends on the successful implementation of the Washington CFS, especially robust credit opportunities for the use of biomethane and the development of anaerobic digesters that convert manure and other waste streams into biomethane that is captured and injected into the regional gas grid. SkyNRG greatly appreciates the opportunity to continue our collaboration with Ecology on these topics over the last few years.

¹ See SkyNRG's Comment Letters on October 3, 2024, and December 12, 2024.

² The GHG savings is modeled using the WA GREET-3.0 Model and is compared to the proposed fossil jet GHG intensity of 90.12 gCO₂e/MJ.

- **The revised deliverability requirements in WAC 173-424-600 will incentivize SAF production while directing benefits to Washington State.**

The SkyNRG facility requires access to significant volumes of biomethane sources both within and outside of Washington State, through mass balance accounting practices, to produce SAF at Project Wigeon. While SkyNRG will strive to prioritize securing biomethane sources in Washington for the production of SAF, there is simply not sufficient volumes of biomethane produced in Washington alone to produce SAF at Project Wigeon based on current market developments in the biomethane industry.

To be clear, SkyNRG believes the new proposed rule language in WAC 173-424-600(7) strikes a thoughtful balance between incentivizing Washington-based SAF projects to break ground before 2030 and ensuring that Washington SAF facilities have sufficient access to the geographically diverse feedstocks necessary to decarbonize the aviation sector. SkyNRG greatly appreciates Ecology's attention to this issue and SkyNRG encourages Ecology to promptly adopt this draft language without further modification.

However, SkyNRG believes that without significant revisions to the avoided methane crediting period as discussed below, the aspirational goal of increasing in-state produced biomethane in Washington will materially suffer due to the lack of long-term policies that support the investment of anaerobic digestion facilities in the state, and thereby will hamper both Washington state biomethane production and SAF production.

- **The proposed avoided methane credit periods in WAC 172-424-610(16) are too limited to incentivize methane capture and biomethane production.**

The proposed rule language in WAC 173-424-610(16) includes two seven and a half year crediting periods for new avoided methane projects that meet stringent additionality criteria, for a total of 15 years of potential credits.

The CFS rule explanatory statement indicates that Ecology selected 15 years because "eventually the methane capture technology becomes typical" and part of the baseline, so "a 20-year crediting period alternative would therefore not as closely ensure that program incentives are creating new decarbonization benefits."³ SkyNRG strongly urges Ecology to reconsider this assumption, as it overlooks critical commercial factors necessary for the investment in major infrastructure projects that demand long-term capital repayment frameworks. This is true for both new anaerobic digestion facilities that are needed to reduce fugitive methane emissions from manure and food waste, as well as SAF projects and other transportation sectors that are seeking access to biomethane with avoided methane credits. This unreasonably short crediting period will prevent any new investments in in-state anaerobic digestion to capture biomethane, will redirect investment capital to other states in

³ See Ecology, Preliminary Regulatory Analysis 6.3.1, pg. 120.

the nation that do have longer credit periods, and it will hinder the state's goals to decarbonize the gas grid with new biomethane sources.

It must be understood that anaerobic digesters are large investments for biomethane developers regardless of the source of inputs. IEA's Biomethane Outlook report suggests projects assume a 20 year lifespan to justify investment, and they continue to have significant ongoing operational costs on an annualized basis that requires pricing support from incentive programs like the CFS.⁴ There is no point in which the operation of an anaerobic digester is "typical" and becomes part of baseline operations for farms, waste management companies or wastewater treatment. Absent a long-term, stable economic incentive or regulatory requirement to operate anaerobic digesters, there is no justification to build or continue operating anaerobic digestion facilities. As the RNGC points out in its comments, avoided methane recognition is critical to covering upfront costs and ongoing operational viability of these projects otherwise they may revert to flaring or venting methane.

We urge Ecology to carefully evaluate whether the proposed avoided methane crediting periods will truly incentivize investment into new biomethane projects that will serve the state's goals of methane reduction and increased supply of biomethane in the state's gas grid. As currently proposed, both SkyNRG and the RNG industry strongly believe the proposed avoided methane credit periods will lead to no critical investments in new anaerobic digestion or other fugitive methane collection projects that would support the state's decarbonization goals. Further, this lack of long-term certainty on incentivizing avoided methane severely limits SkyNRG's desire to secure long-term contracts for regionally produced biomethane for Project Wigeon's SAF production needs.

- **HB 1409 Considerations**

Finally, **with the passage of HB 1409**, the Legislature clearly indicated its intent that Washington "shall seek to adopt rules that are harmonized" with other clean fuel programs, including California. See RCW 70A.535.060. California's recent rulemaking process for the LCFS was updated to enable 30 years of avoided methane credits for anaerobic digestion projects constructed before 2030, and 20 years for projects constructed after 2030 due to engagement with the RNG industry, farmers and investors who are supporting the state's LCFS goals. California's Air Resources Board (CARB) explained this credit period as necessary for "long-term policy clarity to spur near-term development of methane reduction projects developed between the effective date of the amendments and January 1, 2030."⁵ This holds true for Washington state and aligning with California creates a regionally important and clear set of guidelines for industry, transportation markets and investors to have regional policies that are complementary and coordinated to reduce GHG emissions in a meaningful way.

SkyNRG strongly urges Ecology to review CARB's analysis and to revise the Washington CFS proposed rule on avoided methane crediting periods to match California's avoided methane

⁴ <https://www.iea.org/reports/outlook-for-biogas-and-biomethane>

⁵ See CARB, Final Statement of Reasons for Rulemaking, Appendix B (Nov. 8, 2024) at 291, available at: <https://ww2.arb.ca.gov/rulemaking/2024/lcfs2024>.

crediting period to, at a minimum, a 30-year credit period to spur near-term development of digesters, and a 20-year period for future projects. These additional years provide critical certainty to stimulate more methane capture project investment.

Further, aligning with California will give other states clear guidance and policies to support further investment in capturing avoided methane. Given that Washington State has far fewer existing methane capture projects, and a much newer CFS program relative to California, departing from California regulatory process and LCFS program is not warranted, and is clearly inconsistent with the intent of HB 1409. Without modification, the proposed crediting period will unnecessarily limit new biomethane sources to become available for SAF production and other transportation fuel uses of low carbon fuels, thereby increasing climate-warming methane emissions.⁶

Harmonizing credit periods with California would align with the Legislature's directive in HB 1409 and deliver greater climate benefits to Washington.

- **Other comments and clarifications**

Impact of SkyNRG Wigeon Project on CFS Credit Bank: SkyNRG is committed to providing high quality, low CI SAF and contributing to reducing the CI of the Washington State fuel mix. We have analyzed the recent trends in low carbon fuels and CFS market credit dynamics to understand how Project Wigeon's fuels will affect the credit bank. Under proposed accelerated CI scenarios that are included in HB 1409, the project's contribution to credit bank volumes are unlikely to have significant impact on the overall credit/deficit balance and in no case is there an "oversupply" of credits to the CFS from Project Wigeon. SkyNRG would be happy to meet with Ecology to discuss our findings in further detail if this would be helpful.

Tier 1 Pathway Designation for SAF and RNG: SkyNRG supports the proposed changes, indicating that SAF and RNG-derived pathways may qualify under Tier 1 fuel pathway in WAC 172-424-600. However, it is not clear to SkyNRG if this is consistently reflected in the appendices (pp. 141–143). While various forms of biomethane and SAF from "conventional feedstocks" are recognized as Tier 1 fuel pathways, we urge Ecology to confirm in rule text and supporting tables that SAF produced from all sources of biomethane, and specifically manure-based biomethane could qualify as a potential Tier 1 pathway.

Clarify the definition of "break ground": The proposed rule defines breaking ground as "earth moving and site preparation," following approval of "all necessary permits" for the project. The definition would be clearer if, instead of "all necessary permits," only the "applicable land use permit" is required to "break ground." It is not uncommon for a minor permit to remain outstanding, even as a project begins construction under the applicable land use permit.

In conclusion, with federal support for SAF wavering due to recent shifts in tax credits and low RIN prices under the current Administration, it is imperative that Washington State takes bold and decisive action to implement long-term, beneficial policies that sustain investments aimed

⁶ The social cost of a ton of methane is estimated at \$2,200, more than 20 times the comparable harm from carbon dioxide.

at reducing GHG emissions in the state. The CFS remains vitally important to this goal and creating sound policy and rulemaking will help backfill the recent decline in federal support for all forms of clean energy.

Thank you again for the opportunity to provide comments on the proposed rulemaking. We sincerely look forward to an ongoing collaboration with Department of Ecology staff.

Sincerely,

A handwritten signature in blue ink, appearing to be 'J. Plaza', is positioned above the typed name.

John Plaza
President & CEO
SkyNRG Americas, Inc.