

Promus Energy (Alex Banbury)

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Department of Ecology
Climate Pollution Reduction Program
Lauren Sanner
PO BOX 47600
Olympia, WA 98504-7600
Electronically submitted

RE: Chapter 173-424 WAC and WAC 173-455-150 Clean Fuels Program Rule

Dear Ms. Sanner:

As a developer of dairy digester renewable natural gas (RNG) and biogas-to-electricity projects for electric vehicle charging in West Coast states, Promus Energy appreciates the opportunity to comment on the options Ecology has outlined in its 20328-2038 Carbon Intensity Targets discussion paper.

Promus believes that Clean Fuels Programs on the West Coast states must further align and harmonize with their low carbon fuels (LCF) programs to achieve stringent targets efficiently and to maximize the impact of a major regional, coordinated market. Considering the recent announcement of the alignment of the state's cap-and-invest program with California and Quebec, Promus continues to encourage Ecology to follow suit and pursue further harmonization – integration where possible -- with other LCF programs to make compliance and project financing easier and to expand opportunities for market participation and the supply of clean fuels in all West Coast states.

After reviewing the discussion paper provided by Ecology, Promus supports Scenario A but would urge Ecology, and the Legislature, to consider the following points:

- Scenario A creates near-term strength in the program and sends a signal that WA is a mature clean fuels market that incentivizes participation on par with its neighbors in the Pacific Coast Collaborative. This is especially valuable for securing financing for projects that will produce renewable fuel in-state.
- To ensure that WA has a competitive clean fuels market relative to other states, it is important that the WA CFS carbon reduction targets do not differ too greatly from targets set by partner LCF states in the long-term as well. CA LCFS is 3-4 years ahead of WA in terms of its carbon reduction targets, but post 2030, the CA targets become increasingly more stringent leading up to a 90% reduction in carbon intensity by 2045. With Ecology only hitting a 45% or 55% carbon reduction by 2038, other markets will exert a stronger pull on renewable fuels, creating risk that the CFS will fail to bring in adequate supply of renewable fuel. Option A keeps WA slightly closer in alignment to CA's LCFS reduction targets, ensuring there is not a major target imbalance between the programs in the near-term.
- Promus recognizes that Ecology does not currently have the authority to go beyond the legislatively-mandated emissions reduction targets, which points to the need for a legislative remedy to grant Ecology greater latitude in setting long-term targets. Promus and our colleagues in the LCF sector will advocate for measures that enable Ecology to make timely adjustments to the CFS program to avoid boom and bust cycles, as we saw over the last five years with the crash of the LCFS credit price due to a flood of renewable diesel (RD). An example of such a measure is

CA's Automatic Acceleration Mechanism (AAM) to stabilize healthy credit pricing that is essential for sustained LCF progress.

- Promus generally supports a schedule for emissions reductions where stringency increases over time, following the slope of the reduction curve of the LCFS market. However, with Ecology having little room to set more aggressive targets in the later years of the program, it will be difficult to create a schedule that meaningfully increases annual stringency over time.
- For Ecology's future modeling, it would be valuable to see scenarios in which the annual targets are more aggressive in the 2035-2038 range and assume a triggering of the 55% reduction goal by 2038, noting the LCFS schedule kicks into a higher gear after 2030 (i.e., the slope of the reduction curve steepens). Without the ability to keep pace with CA's LCFS and OR's CFP, WA's CFS will fall behind and be unable to compete for the lower carbon fuels needed to meet future targets.

The West Coast LCF markets are naturally converging, and Promus supports efforts to hasten alignment to create the big market stability and efficiency needed to sustain decarbonization progress and attract investment. Promus values the opportunity to provide feedback on the proposed changes to the WA CFS and looks forward to participating in future commenting period.

Sincerely,

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