RNG COALITION (Sam Wade)

Please see our attached comment letter.

VIA ELECTRONIC FILING

March 9, 2026

California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms

The Coalition for Renewable Natural Gas (RNG COALITION) is a California-based nonprofit organization representing and providing public policy advocacy and education for the Renewable Natural Gas (RNG) industry.[1] RNG COALITION respectfully submits these comments to the California Air Resources Board (CARB) in response to the January 13, 2026 *Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms* (Draft Rule).[2]

We appreciate CARB's attention to renewable gas topics. RNG remains an important greenhouse gas (GHG) abatement strategy that can assist in meeting the goals in the Cap-and-Invest (C&I) Program. We also welcome related improvements in how the Mandatory Reporting Regulation (MRR) and offset protocols quantify the GHG reduction benefits of RNG.[3] Holistic enhancement of incentives for RNG in the C&I Program has the potential to allow California to reach its near-term methane reduction goals.

We Support Increased Ambition in Cap and Invest Targets

RNG Coalition continues to support the most ambitious C&I allowance budget reduction schedule that CARB deems to be feasible, given technological and economic constraints. Higher programmatic ambition should facilitate higher allowance prices critical to drive improved economics of all greenhouse gas abatement projects, both emerging and fully commercialized. Technologies like RNG—which are commercially available and technically proven, but still higher

[1] For more information see: http://www.rngcoalition.com/
[2] The following resources outline the fundamental justifications for use of RNG as a methane abatement and fossil fuel displacement strategy: World Resources Institute *Renewable Natural Gas as a Climate Strategy: Guidance for State Policymakers* https://www.wri.org/research/renewable-natural-gas-climate-strategy-guidance-state-policymakers or the following EPA webpages https://www.epa.gov/lmop/renewable-natural-gas or https://www.epa.gov/agstar/benefits-anaerobic-digestion.
[3] Some of our comments are relevant to the *Proposed 2026 Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions* and will be filed in that process as well.

cost than fossil counterparts—will only be fully incentivized by carbon pricing alone if the carbon price reaches levels closer to the social cost of carbon.

Leading researchers estimate the social cost of carbon to be on the order of $185/metric ton[4]—a range at which more RNG project would be competitive with conventional gas (if methane reduction benefits are also properly recognized).

CARB should continue to improve program stringency so that the program's carbon price can approach the social cost of carbon in the long run. In the near term, assuming allowance prices remain below this societally optimal level, we encourage CARB to think carefully about how the C&I incentive "stacks" with other programs that promote RNG use.

C&I Must Properly Recognize the GHG Benefits of RNG Projects

RNG provides one of the most important opportunities to simultaneously displace fossil carbon dioxide (CO_2) and reduce organic waste methane (CH_4) emissions in the near term. Both CO_2 and CH_4 benefits can be achieved through all forms of RNG production occurring commercially today—anaerobic digestion (AD) of material gathered from organic waste diversion, wastewater, or manure, and enhanced gas capture at landfills.

For RNG projects to be properly incentivized, it is critical that both the CO_2 and CH_4 benefits be properly recognized and that consistent accounting exist in C&I to align claims for these GHG reductions across all programmatic end uses. Section 95852.1 of the Proposed Amendments includes modified text which might unintentionally prohibit a company from making clear and consistent claims. The Draft Rule text states:

> *An entity claiming use of an exempt biomass-derived fuel must have sole ownership or contract rights to the biomass-derived fuel and any associated emissions exemption or emissions reductions attributed to the use of the fuel such that no other entity may claim an emissions exemption to reduce a compliance obligation or otherwise claim a reduction in emissions associated with the use of the biomass-derived fuel. Exempt biomass-derived fuels may be associated with the generation of Renewable Energy Credits or Low Carbon Fuel Standard Credits.*

This language creates a significant barrier to RNG projects from being able to sell RNG to end uses that CARB's Scoping Plan has stated are important but are not explicitly recognized in the text above, for example into California's Renewable Gas Standard for utility procurement.[5]

[4] https://www.nature.com/articles/s41586-022-05224-9
[5] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1440

We recommend the following modifications to the Draft Rule to better clarify how this alignment in claims should proceed:

> *An entity claiming use of an exempt biomass-derived fuel must have sole ownership or contract rights to the biomass-derived fuel and any associated biogenic carbon dioxide emissions exemption ~~or emissions reductions~~ attributed to the use of the fuel for purposes of compliance with this subarticle, such that no other entity may claim an emissions exemption to reduce a Cap-and-Invest Regulation compliance obligation ~~or otherwise claim a reduction in emissions~~ associated with the use of the biomass-derived fuel. Exempt biomass-derived fuels may be associated with the generation of ARB Offset Credits, recognition in Renewable Gas Standard biomethane procurement, Renewable Identification Numbers, Renewable Energy Credits, ~~or~~ Low Carbon Fuel Standard Credits, or other approved crediting programs and protocols that support the state's building decarbonization, cement or other industrial decarbonization, carbon removal or other climate goals.*

Additional Offset Protocols Should be Added to Capture All RNG Methane Benefits

Currently, the C&I program framework does not have offset protocols that cover all methane benefits associated with RNG projects. Methane reduction through manure management at dairy and swine RNG operations is well accounted for in the Livestock Compliance Offset Protocol, however, methane reductions from organic waste systems are not currently represented.

The following types of offset protocols should be recognized in C&I:

- **Organic Waste Digestion in the United States and Canada.** A C&I compliance protocol should be approved to recognize the benefits of organic waste anaerobic digestion (e.g., food waste digesters). This could be done by updating and improving CAR's *U.S. Organic Waste Digestion Protocol,*[6] which has not seen much use in the voluntary market, in part due to overly stringent additionality assumptions. The United States Environmental Protection Agency's calculator on the methane benefits of landfill diversion of food waste could also be a helpful starting point.[7] Other jurisdictions have created general AD protocols that incorporated both manure and other feedstocks (e.g., food waste).[8]

[6] https://climateactionreserve.org/how/protocols/waste/organic-waste-digestion/
[7] https://www.epa.gov/system/files/documents/2024-12/avoided-landfilled-food-waste-methane-emissions-calculator.xlsx
[8] https://www2.gov.bc.ca/assets/gov/environment/climate-change/ind/protocol/methane_from_organic_waste_protocol.pdf

Therefore, addition of other AD feedstocks could also theoretically be accomplished through an update to the Livestock Compliance Offset Protocol.

- **Enhanced Gas Capture at Landfills in the United States and Canada.** A C&I compliance protocol for enhanced gas capture at landfills could be adapted from ACR's *Methodology for the Quantification, Monitoring, Reporting, and Verification of Greenhouse Gas Emission Reductions and Removals from Landfill Gas Destruction and Beneficial Use Projects*.[9] CARB has recognized[10] that continuous wellhead monitoring systems, often paired with automated wellhead tuning systems, can improve gas collection rates and/or the quality of the collected gas. Recognition in C&I/MRR of these methane reductions would help make RNG projects from this enhanced methane capture viable.

Just as the Livestock Compliance Offset Protocol provides the required methods to measure, report, and verify GHG emission reductions from RNG projects that control methane from manure produced from cattle and swine operations, the above protocol ideas would allow methane captured from non-manure organic waste to have proper quantification tools in the C&I system.

Other Policies are Not Currently Strong Enough to Reach California's Methane Reduction Goals, C&I Needs to Provide a Reinforcing Signal

Historically California's strongest support for RNG has been in the transportation sector, where RNG used in natural gas vehicles (NGVs) receives credit under the California Low Carbon Fuel Standard (LCFS). This sector has seen significant RNG uptake since the start of the LCFS.[11] To achieve this success RNG project developers have had to stack the value of LCFS credits, federal Renewable Fuel Standard credits, tax credits and/or direct grant monies to make projects financially viable.

Lower LCFS prices plus market saturation of the existing vehicle fleet is limiting further RNG adoption in transport currently. If LCFS prices do not rebound to the level that can incent both additional NGV adoption and RNG deployment, California's transport sector will not be able to contribute further toward reaching statutory goals[12] for methane reduction from organic wastes.

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[9] https://acrcarbon.org/methodology/landfill-gas-destruction-and-beneficial-use-projects/

[10] See CARB's *Proposed Amendments to the Regulation on Methane Emissions from Municipal Solid Waste Landfills* https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/LMR/isor.pdf

[11] In Q1 2011, RNG was 1% of fuel used in NGVs in California. In Q2 2025, 98% of fuel used in NGVs was RNG. https://ww2.arb.ca.gov/sites/default/files/classic/fuels/lcfs/dashboard/quarterlysummary/quarterlysummary_Q22025.xlsx

[12] https://ww2.arb.ca.gov/sites/default/files/2020-07/SLCP_Appendix_B.pdf

California has also tried to incent RNG use by utilities to serve core customer demand for natural gas. The California Public Utilities Commission (CPUC) set a 2025 Renewable Gas Standard (RGS) goal at ~3% of 2020 core bundled demand (17.6 Bcf/year)[13] and initially targeted only food waste RNG. However, due to delays in feedstock collection, contract approval at the CPUC, affordability concerns, and other issues, the RGS did not hit the 2025 target. The enabling statute for the RGS, Senate Bill 1440 (Hueso, 2018) was passed more than seven years ago. The governing CPUC decision setting the framework for the RGS has existed for more than four years.[14] However, thus far, no operating RNG project has been able to cover their costs with revenues received under the Renewable Gas Standard.

Other key tools promoting methane capture from organic waste to electricity production are also being removed or degraded. For example, the CPUC is sunsetting the BioMAT program.[15] Federal tax credits, such as the Investment Tax Credit and Production Tax Credit, that have historically promoted renewable power projects, including biogas power, are no longer available.[16,17]

Manufacturing Decarbonization Incentive Allocation Framework Would Benefit from More Transparency

We agree with CARB staff's position in the Initial Statement of Reasons that, "the cost of a number of manufacturing decarbonization activities continues to be greater than the allowance price."[18] This is certainly true for manufacturing facilities considering RNG use, therefore, we support updating the C&I framework to provide a stronger reinforcing signal for RNG use and other decarbonization activities at these facilities.

Specifically, we support the Manufacturing Decarbonization Incentive (MDI) Allocation concept in the Draft Rule. We believe that the general MDI concept is sound—allocating a greater number of allowances to industrial actors to create a pool of value that can fund manufacturing decarbonization projects. We also support covering ongoing costs for procuring low-carbon fuels, such as RNG, as one of the eligible activities in the MDI.

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[13] The medium-term RGS target for 2030 is RNG achieving 12.2% of total bundled core customer consumption. This 2030 target also seems to be out of reach given current incentives.
[14] Decision 22-02-025 from February 24, 2022. https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M454/K335/454335009.PDF
[15] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M586/K161/586161556.PDF
[16] https://www.epa.gov/green-power-markets/summary-inflation-reduction-act-provisions-related-renewable-energy
[17] https://warrenaverett.com/insights/one-big-beautiful-bill-energy-tax-credits/
[18] ISOR page 175.

However, our members are currently unclear on how to assess the details of the proposed framework on a facility-by-facility basis. We request CARB provide additional clarity so that RNG producers can estimate the amount of value available per year to each manufacturing party that opts in. Under the current proposal, unless an actor is party to the details of the allocation for the eligible manufacturing source, they cannot ascertain the number of additional allowances a source receives annually if they elect to participate.

Providing more transparency to parties beyond the manufacturing actor receiving the MDI allocation would allow RNG producers (and other parties supplying decarbonization tools) the opportunity to better understand the magnitude of total incentive available from this new concept, increase the supply-side competition to serve each actor receiving this incentive, and therefore maximize the cost-effectiveness of this concept.

Phase Down of Natural Gas Utility Allocation Should Not Preclude Near-Term Use of Allowance Value for RNG Interconnection Incentives

We support better use of natural gas utility allowance value to promote interconnection of RNG facilities to the gas grid. CARB and the California Public Utilities Commission (CPUC) have historically overseen allowance value given to natural gas utilities to fund California's residential climate credit, building electrification pilot projects, and RNG interconnections.

The Biomethane Monetary Incentive Program (BMIP) has historically proven to be a helpful tool to lower customer costs of RNG interconnection. The BMIP was funded, in part,[19] through gas utility allowance value. We believe that, even if the pool of gas utility allocation declines to transition support from gas corporations to electrical distribution utilities, CARB should be more prescriptive in the use of the near-term natural gas utility value to support RNG deployment.

CARB should require the use of some natural gas allowance value for RNG interconnection. The Draft Rule should be amended to explicitly direct the CPUC to use more near-term gas utility allowance value for this purpose. Alternatively, the state could allow utility rate basing of such interconnection costs.[20]

Providing support for RNG interconnection continues to be important for project developers and end-users as interconnection costs in California average >2.6x that of projects in other states.[21] The

[19] https://www.cpuc.ca.gov/industries-and-topics/natural-gas/renewable-gas
[20] Assembly Bill 3187 (Grayson, 2018) required CPUC to consider allowing gas utilities to rate base the cost of RNG interconnection to core and non-core customers. However, seven years later, the CPUC has only recently begun exploring this topic. Senate Bill 919, being discussed this year, may also help address either of these opportunities to lower interconnection costs.
[21] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M584/K702/584702473.PDF

direct use of allowance value for RNG interconnection promotes in-state RNG production in line with California's climate goals in the waste and energy sectors. We urge CARB and CPUC to coordinate closely on this issue.

Align Reporting Between Cap-and-Invest and Low Carbon Fuel Standard Data

As discussed in previous C&I workshop comments,[22] we believe that much of the RNG used in California—including for natural gas vehicles and voluntary buyers—is not correctly recognized by the C&I and MRR current framework. In the LCFS, gas deployed into natural gas vehicles is reported downstream of the utility, usually through collaborative reporting between the RNG project and the company running the natural gas dispensing stations. Many fueling stations do not meet the reporting threshold for inclusion under MRR and have no direct C&I compliance obligation, which creates a disconnect between LCFS and C&I/MRR data. Similarly, we expect entities to procure increasing amounts of RNG under corporate GHG accounting frameworks for facilities not directly covered in C&I/MRR.[23]

This means that, in practice, RNG in the gas utilities system is often reported as fossil gas by the utility under the C&I/MRR. We reiterate that this can, and should, be corrected in this rulemaking, either through improved internal coordination between groups at CARB (who have access to multiple datasets and can map voluntary actors and CNG stations using RNG to utility service territories) or through a holistic fix that could be used across all programs (e.g., use of a centralized registry for RNG ownership that could be accessed by all programs).

For voluntary customers, as CARB gathers data for such corporate reporting under SB 253 requirements, there should be a way for utility C&I obligations to be reduced to recognize these purchases. In the absence of such accounting alignment, renewable gas use will be counted as conventional gas and thus create unnecessary duplicative C&I burden for California utility ratepayers—even those directly paying to procure RNG.

The program specific data from CARB's websites shows this clearly. The major gas utilities MRR fuel supplier data is as follows, showing very little RNG use:

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[22] For example, see our comments on the October 29, 2025, Workshop on Potential Amendments to the Cap-and-Invest Program and the May 31, 2024, Cap-and-Trade Workshop. https://ww2.arb.ca.gov/system/files/webform/public_comments/54436/251112-rng-coalition-comments-on-cap-and-invest-oct-25-workshop.pdf and https://ww2.arb.ca.gov/approved-comments?entity_id=36751

[23] https://ww2.arb.ca.gov/news/carb-approves-climate-transparency-regulation-entities-doing-business-california

ARB ID	Facility Name	Report Year	Fuel Supplier CO2e from Non-Biogenic Fuels and CH4	Fuel Supplier CO2 from Biogenic	Fuel Supplier CO2 from Non-Exempt Biogenic Fuels
104024	Pacific Gas and Electric Company (PG&E) - Supplier of Natural Gas	2024	39,021,107	0	0
104085	San Diego Gas and Electric (SDG&E) - Local Distribution	2024	4,894,652	0	0
5002	Southern California Gas Company - End User Emissions	2024	38,527,955	61,143	771
5013	Southwest Gas Distribution Facilities	2024	796,902		7,787

The MRR data shows approximately 70,000 metric tons of biogenic CO_2 being reported by utilities. Adding in other non-utility natural gas fuel suppliers, annual biogenic CO_2 is 315,134 metric tons in 2024. However, the LCFS data in 2024 has 218,681,746 diesel gallon equivalents of RNG reported across all vehicle fuel use. This should produce ~1.5 million metric tons tailpipe biogenic CO_2 per year.[24] *Meaning that MRR is likely overcounting fossil CO_2 from NGVs by more than a million metric tons CO_2 per year.*

This lack of recognition in C&I/MRR for RNG creates skewed incentives relative to other renewable transportation fuels. For example, we believe most of the ethanol, biodiesel, and renewable diesel volume is correctly accounted for in an aligned way across LCFS and C&I/MRR.

The MRR Program Should Allow Use of an Electronic Registry to Help Demonstrate RNG Ownership

California's agencies should move to harmonize reporting rules across programs and regional markets to ensure consistent GHG reduction and renewable gas use claims. We continue to recommend one centralized electronic registry to address any possibility of double claims or double payments by compliance entities.

Digital infrastructure designed to support renewable gas claims already exists and is ready to be paired with North America's C&I programs. Such systems are proven in Europe[25] and are designed to replace the necessity of tracking of "paper" records between a wide variety of counterparties involved in a high number of transactions. Clean Counts[26] (formerly MRETS) is a renewable energy credit and renewable thermal credit platform which is currently tracking RNG volumes, including as

[24] 218,681,746 diesel gallon equivalents is equal to 27,877,015 mmBtu. Assuming an emission factor of 53.06 kg CO_2/mmBtu for natural gas, this amount of RNG should produce 1,479,154 metric tons of biogenic CO_2.

[25] https://www.ergar.org/abous-us/ and https://static1.squarespace.com/static/53a09c47e4b050b5ad5bf4f5/t/6734fb7601771749d4c174d4/1731525495807/FINAL+Value+of+Biomethane+Certficates+Study+Complete+White+Paper+FINAL+for+Publishing+20241021+V1.pdf

[26] https://www.mrets.org/

an optional tool in California's renewable gas standard and for voluntary RNG procurement, and will likely be used in other similar programs.

We suggest that CARB allow the use of the Clean Counts system for renewable gas volumes procured for compliance under the C&I program to standardize RNG tracking while eliminating concerns related to double counting, ensuring transparency in volume origination, and allowing integration with other programs and markets.

Clarify "Importer of Fuel" Definition under Mandatory Reporting Regulation and Inapplicability to Book-and-Claimed RNG

If alignment with LCFS accounting for RNG (and/or use of an electronic registry for RNG) cannot be addressed in this rulemaking, we urge CARB to clarify that the definition of "importer of fuel" under MRR does not apply to transactions involving book-and-claim accounting of biomethane, where the flow of gas molecules cannot always be proven to cross California's border. As currently written, the definition could be interpreted to apply whenever ownership of fuel attributes transfers to a California end user or market participant inside the state.

Under that interpretation, a book-and-claim biomethane transaction—where environmental attributes associated with biomethane produced outside the state are contractually transferred to a California purchaser—could be double counted if always treated as a fuel import under MRR. This outcome would be inconsistent with existing MRR reporting structures.

As described above, the physical end use of compressed or liquified natural gas associated with these transactions is usually already reported under the program by natural gas utilities (primarily reporting natural gas vehicle fueling),[27] meaning that treating the contractual transfer of biomethane attributes as a separate import would risk double counting the same underlying gas volumes under MRR. To avoid double counting, CARB should clarify that the importer definition explicitly excludes book-and-claim accounting for RNG where the underlying gas volume is already captured through existing reporting pathways.

Eliminate Unnecessary Complexity in Determining C&I RNG Eligibility

As explained above, the C&I program has not yet served as a significant incentive for new RNG development or use, primarily due to the low level of the carbon price in the program relative to the

[27] While we take no position on analogous issues for imported conventional gas, it may also exist. Conceptually, it is difficult to avoid double counting when the point of reporting is at two different portions of the supply chain (at both importer and midstream utility points). As a reminder, natural gas is a highly flexible fuel that can be transferred between liquid (tanked), compressed (tanked), and pipeline-injected forms.

GHG abatement cost for RNG projects and misaligned accounting ignoring some of the key benefits.

However, another significant barrier to RNG use in the program has been the unnecessary complexity of the eligibility requirement language now found in section 95852.1.1(a)(1)-(5) of the Draft Rule. The ISOR summarizes this problem appropriately when it states that, "Due to uncertainty expressed by covered entities, implementation of section 95852.1.1(a) has required substantial staff time to ensure the provisions are consistently implemented. Clarifications are proposed throughout section 95852.1.1(a) based on implementation experience and aim to provide certainty for entities regarding eligibility for emissions exemptions and to reduce administrative burden."[28]

We recommend that, if CARB truly wants to eliminate administrative burden and unnecessary complexity, the entire section 95852.1.1 should be struck. There is no need to retain this section for the following reasons:

- CARB is actively looking for RNG producers to be nimble and to shift RNG between end uses over time to the sectors that are hardest to electrify.[29] Requiring a period of non-production before any such shift is simply impossible for RNG facilities, which are not financially viable without ongoing revenues for the sale of their gas and associated recognition of environmental benefits.
- Empirically, there is no demonstrated problem with non-additional RNG supply being available in significant quantities to divert/shuffle toward C&I end uses, especially at low carbon prices.
- No other renewable fuel or greenhouse gas abatement strategy is subject to the same tests in the C&I program, even though the same theoretical arguments could be made about many other strategies that reduce compliance obligations in C&I.[30]

[28] ISOR page 74.
[29] The ISOR states that, "Enabling covered entities to appropriately claim exempt biomethane is aligned with the 2022 Scoping Plan, which indicated that biomethane currently used in California's transportation section will largely be needed for hard-to-decarbonize sectors long-term." Ibid.
[30] A few examples of other abatement strategies that could, in theory, generate reshuffling/non-additional concerns in C&I include: liquid biofuel plants that existed prior to the start of the C&I program, zero emission vehicles deployed due to historical federal incentives or vehicle manufacturer mandates, renewable power supported by federal tax credits displacing natural gas power production, etc. The reality is that additionality concerns for most of these activities are minimized (as they certainly are for RNG) because, at the margin, these activities are not cost effective without public policy support, and penetration of these activities benefit from additional support derived from appropriate C&I recognition.

- Three-years (and/or 36 months) is an arbitrary and capricious standard not well justified by the ISOR or historical regulatory precedent. No RNG project will ever cease operation intentionally just to become eligible to receive C&I incentives, it has always been very unclear as to why a three-year period hypothetically helps eliminate any perverse fuel reshuffling incentives.

If this unnecessary complexity in this section can be eliminated it more likely that consumers of gas will explore RNG as a compliance option and CARB's strategy to shift the RNG resource between hard-to-electrify end uses over time is more likely to be achieved.

Conclusion

Renewable natural gas is a reliable, immediately available, and scalable decarbonization tool suitable for use in a wide variety of sources covered by the Cap-and-Invest program. California aligning the reporting in C&I/MRR to fully recognize the benefits of RNG projects would strengthen its leadership in the clean energy transition while delivering climate, economic, and equity benefits statewide.

Sincerely,

/s/

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