

Bioenergy Association of California and 13 other organizations (Julia Levin)

Please see comments from 14 associations, public agencies and private companies on the allocation of allowances for manufacturing decarbonization.



April 22, 2026

The Honorable Steve Cliff, Executive Officer
 California Air Resources Board
 1001 I Street
 Sacramento, CA 95814

Re: Use of Allowances for Exempt Biomass-Derived Fuels

Dear Dr. Cliff:

The undersigned organizations are writing to thank CARB for including incentives to decarbonize manufacturing and accelerate the use of biomethane and biomass-derived fuels. This is a very important step forward to meet California’s GHG and SLCP reduction requirements, but it will only help to do so if the allocation of allowances is for projects that produce and use those fuels in California. For the reasons below, we urge CARB to limit the use of allowances to fuels that help meet the requirements of SB 1383 (Lara, 2016). Otherwise, California could spend billions of dollars to support projects in other states while making it harder for in-state projects to compete, impeding the state’s own SLCP reduction, circular economy, wildfire mitigation, and other efforts.

1. SLCP Reductions Are Most Urgent Climate Solution and California is Not on Track to Meet the Requirements of SB 1383.

CARB and other climate experts around the world agree that methane and other SLCP reductions are the most urgent climate solution because they benefit the climate right away while fossil fuel (carbon dioxide) reductions take decades to begin to benefit the

climate. Despite the urgency of SLCP reductions, California is years behind in meeting the requirements of SB 1383. The deadline to divert 75 percent of California's organic landfill waste was December 31, 2025 and local jurisdictions are still far from meeting that requirement. Thanks mostly to dairy digesters, California has made more progress in reducing dairy methane emissions, but even in the dairy sector, has a long way to go to meet the goal of reducing emissions 40 percent by 2030. California also has a long way to go in meeting the requirement of SB 1383 to cut anthropogenic black carbon emission 50 percent by 2030.

2. Only Instate or Delivered Biofuels Help Meet the Requirements of SB 1383 and SB 1440.

The use of allowances to help decarbonize manufacturing in California could be hugely beneficial in meeting the SLCP reductions of SB 1383, but only if allowances are used for low carbon fuels produced from organic waste in California. This is why SB 1383 requires the Air Board and other state agencies to adopted policies and incentives to accelerate the instate production of renewable gas, including biogas and biomethane, from organic waste.¹

If manufacturing decarbonization allowances are used to buy down the costs of out of state, undelivered fuels, those allowances will not help at all to meet the critical requirements of SB 1383, including the landfill diversion, dairy methane, and overall methane and black carbon reduction requirements. Not only will allowances not help to meet the requirements of SB 1383, but using them for out of state fuels would likely make it harder to meet the requirements of SB 1383 by creating unfair competition for instate projects. Spending allowances out of state would make an already unlevel playing field worse. California has stricter environmental, labor, pipeline injection, and other regulations that increase the costs (and benefits) of instate projects. Further subsidizing out of state fuels production by using allowances to drive down the costs of those out of state fuels will make it even harder for instate fuels to compete. This will result in a smaller market for instate fuels that are generated from diverted organic waste, dairy and other livestock waste, or forest and agricultural waste.

3. Numerous Laws Require Agencies to Increase the Instate Production and Use of Biofuels Generated from Organic Waste.

The Legislature has been very clear and consistent since at least 2006 that biomethane and bioenergy should be generated and used instate or at least delivered to California to maximize benefits to the state. Beginning with the second RPS legislation, which phased out the use of undelivered power (equivalent to book and claim under the LCFS), the Legislature has required instate production and use or at least delivery of biofuels in every bill related to biofuels over the past 20 years. This includes SB 1383 and more than half a dozen other bills.

¹ Health and Safety Code sections 39730.8(c) – (e).

SB 1383 requires state agencies to adopt policies and incentives to increase the instate production and use of bioenergy generated from organic waste. SB 1383 requires state agencies to adopt policies and incentives to significantly increase the sustainable produce and use of renewable gas, including biomethane and biogas.² SB 1383 requires CARB, in particular, to adopt “additional policies to support the development and use in the state of renewable gas, including biomethane and biogas, that reduce short-lived climate pollutants in the state.”³ (emphasis added)

Numerous other laws also require state agencies to adopt policies and incentives to increase the instate production of biogas and biomethane. Those include:

- AB 1900 (Gatto, 2012) requires the CPUC to “adopt policies and programs that promote the in-state production and distribution of biomethane. The policies and programs shall facilitate the development of a variety of sources of in-state biomethane.”⁴
- SB 1122 (Rubio, 2012) requires the CPUC to “encourage gas and electrical corporations to develop and offer programs and services to facilitate development of in-state biogas for a broad range of purposes.”⁵
- AB 2313 (Williams, 2016) requires the CPUC to consider options to increase instate biomethane production and use.⁶
- SB 840 (Budget, 2016) states that for “California to meet its goals for reducing emissions of greenhouse gases and short-lived climate pollutants, the state must . . . increase the production and distribution of renewable and low-carbon gas supplies.”⁷
- SB 1440 (Hueso, 2018) limits pipeline biomethane eligibility to fuels that are generated instate or provide specific benefits to California’s environment from the production or capture of the biomethane.⁸

The Legislature’s consistent focus on instate biofuels production is to ensure that California receives the benefits of biofuels production and use, most of which occur during the production or capture of the biomethane and other biofuels. This is all the more important when shaping the use of incentives such as the allocation of allowances.

² Health and Safety Code section 39730.8(c).

³ Health and Safety Code section 39730.8(d).

⁴ AB 1900 (Gatto, 2012) adding Section 399.24(a) to the Public Utilities Code.

⁵SB 1122 (Rubio), Statutes of 2012, Chapter 612, codified at Public Utilities Code section 399.20(f)(2)(D).

⁶ Public Utilities Code section 784.2.

⁷ Senate Bill 840 (Budget), Statutes of 2016, SEC. 10, sections (b) – (i).

⁸ Public Utilities Code sections 650-651.

4. Limiting Allowances to Fuels that Help meet SB 1383 and SB 1440 Requirements is Consistent with the Requirements for Electricity and Low Carbon Hydrogen Under the Regulations.

Limiting the eligibility of biofuels to those that are produced instate or at least delivered to California is also consistent with the treatment of hydrogen and renewable electricity under the regulations. For example, if the allowances are used to cover electrification equipment, the regulations require that the equipment “results in a reduction or avoidance of onsite fossil fuel combustion.”⁹ For electrolytic hydrogen, the regulations require that electricity used as feedstock be delivered to the local balancing authority or at least be RPS eligible, which means that it is delivered to the western states’ power grid (known as the WECC or Western Electricity Coordinating Council).¹⁰

For the same reasons that electricity and hydrogen require delivery and/or onsite fossil fuel displacement, the regulations should also limit the use of allowances for biomass-derived fuels to fuels that are produced and used in California or at least delivered to California with benefits to California’s environment from their production or capture. Only fuels that are actually delivered to California, or at least the western gas or electricity grids, can offset instate fossil fuel use. In addition, only fuels that are produced in California help to mitigate wildfires, reduce landfilling, reduce pollution from organic waste, and help to meet the requirements of SB 1383.

5. Limiting Allowances to Fuels that Help meet SB 1383 Requirements Will Maximize Benefits to Californians.

In addition to reducing SLCP reductions, as required by SB 1383, instate production of biofuels provides many other benefits to the state that out of state production does not provide. Those benefits include the reduction of landfill waste, reduction of pollution from pile and decay of livestock waste or agricultural residues, mitigation of wildfires and reduction in open burning, and creation of jobs and economic development. Each of these is a significant benefit that only helps California if the fuels are produced instate.

CARB has recognized these benefits in numerous climate and air quality plans. In particular, California’s *Short-Lived Climate Pollutant Reduction Strategy* recognized that “The State’s organic waste should be put to beneficial use, such as for . . . electrical generation, transportation fuel, and pipeline-injected renewable natural gas. . . Practical solutions must be developed and implemented to overcome barriers to waste gas utilization for pipeline injection and grid interconnection.”¹¹ The SLCP Reduction Strategy also recognized the significant public health benefits of reducing SLCP emissions and the economic benefits. As the SLCP Reduction Strategy

⁹ Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, released April 14, 2026. Section 95891(g)(2)(B).

¹⁰ Id. at Section 95891(g)(2)(C)(3).

¹¹ SLCP Reduction Strategy at page 3.

found, “Building infrastructure to better manage organic waste streams could lead to billions of dollars of investment and thousands of jobs in the State.¹²

The Governor’s *California Jobs First* plan also recognized the benefits of bioenergy and biofuels for creating good jobs and economic development.¹³ The Governor’s overall plan points to three small-scale bioenergy projects as examples of job creating projects¹⁴ and the Governor’s Initiative has provided funding to at least one forest bioenergy project. In addition, at least six of the regional *Jobs First* plans call for increased bioenergy, including the plans for the Central San Joaquin Valley, North State, Eastern Sierra Nevada, Redwood Coast, Kern County, and North San Joaquin Valley.¹⁵

6. Proposed Change to Section 95891(g)(2)(A)

For all the reasons above, we urge CARB to revise section 95891(g)(2)(A) to limit the use of manufacturing decarbonization allowances used for biofuels procurement to fuels that are generated instate or at least delivered to the western electricity or gas grid. This will make the use of allowances for biofuels consistent with the requirements for renewable electricity and for hydrogen, both of which require the use of renewable power that is connected to the western electricity grid.

We urge CARB to add the following sentence at the end of Section 95891(g)(2)(A):

For purposes of the manufacturing decarbonization incentive allocation, exempt biomass-derived fuels must meet at least one of the following: (1) the fuel results in a reduction or avoidance of onsite fossil fuel combustion by the manufacturing facility; (2) the fuel must be generated and used in California; (3) the fuel must meet the requirements of Public Utilities Code section 399.12.6(b); or (4) the production or capture of the fuel helps to meet the requirements of Health and Safety Code section 39730.6.

Thank you for your consideration of these comments.

Sincerely,

Evan Edgar
California Compost Coalition

Jonathan Kusel

¹² SLCP Reduction Strategy at pages 34-35.

¹³ <https://jobsfirst.ca.gov/wp-content/uploads/Economic-Blueprint.pdf>.

¹⁴ <https://jobsfirst.ca.gov/wp-content/uploads/Economic-Blueprint.pdf>

¹⁵ The thirteen regional plans under the Governor’s Jobs First Plan are available at: <https://www.labor.ca.gov/regional-investment-initiative/>.

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