



April 5, 2019

Ms. Lorri Thompson
Manager, Clean Fuels Standard
Oil, Gas and Alternative Energy
Environment and Climate Change Canada
351 St Joseph Blvd, 11th Floor
Gatineau, QC
K1A-OH3

RE: Comments on March 19th-20th Technical Working Group Material

Dear Ms. Thompson,

The Coalition for Renewable Natural Gas (RNG Coalition) offers this letter in continued strong support of Environment and Climate Change Canada's (ECCC) Clean Fuel Standard (CFS). This letter provides our feedback on the material presented at the March 19th-20th Technical Working Group Meeting.

We Appreciate ECCC's Recognition that Biogas Should Be Used Rather than Flared

We strongly support ECCC's recommendation that credit should be given for all cases where biogas is used to displace high-carbon fuels and that, while destroying methane reduces greenhouse gas emissions, flaring (combusting) biogas from waste streams destroys a renewable energy resource that could be used to displace fossil fuel use.¹

In many cases the most environmentally beneficial use of biogas will be to upgrade and convert it to Renewable Natural Gas (RNG or biogas-derived biomethane) for pipeline injection, in order to create a flexible, ultra low-carbon gas grid. Analogous programs in the United States have been strong drivers of the development of the existing RNG market and have resulted in significant greenhouse gas and clean air benefits.² Allowing all sources to be treated equally without regard to project start-date is sensible,³ as is developing tailored crediting calculations for biogas and RNG across a wide variety of sustainable end uses.

¹ *Credits for Biogas and Renewable Natural Gas in the Gaseous Stream*, Slide 6, ECCC Presentation March 19, 2019.

² For example, the US Environmental Protection Agency's [Renewable Fuels Standard](#) and California's [Low Carbon Fuel Standard](#) (LCFS).

³ Allowing existing projects to receive equal credit will reward early action and ensure that projects currently using their biogas productively will have ongoing financial support to continue to do so. We

Additional Clarity on Overlap Between RNG Credit Generation and Use in Gaseous and Liquid Streams Would be Helpful

We applaud the due diligence ECCC has performed in evaluating how to credit all varieties of RNG end uses—including use to displace both liquid fuels and conventional natural gas in non-transport applications. There is a real opportunity for ECCC to demonstrate low-carbon leadership world-wide by implementing this portion of the CFS design, because it takes the use of carbon-intensity-based tradeable performance standards beyond the transportation sector and addresses the complexities of cross-sector overlap head-on. As stated in ECCC Staff’s assessment,⁴ there are generally more emission reduction benefits when RNG is used to displace liquid fuels, such as fossil diesel, and yet it is likely that RNG will also be a key compliance pathway for natural gas distributors in the gaseous stream.

If growth in the deployment of natural gas vehicles (NGVs) does not occur at least as quickly as the rate of growth in RNG supply, RNG projects should still be able to receive significant value through credit in the gaseous stream. To achieve this outcome, we believe the proposed split in the initial point of RNG crediting should be clarified.

As we understand the proposal, the initial right to generate credits relative to the gaseous stream benchmark is assigned to the RNG producer/importer (a gaseous credit) and the initial right to generate credit relative to the liquid stream benchmark is assigned to the fueling station (a liquid credit).

We believe this approach is workable, but potentially complex, given the differences in implementation timing of the various streams.⁵ We seek clarity on the following issues:

- For the RNG producer/importer’s gaseous credits, will this action be able to generate credits starting in 2022? Can these credits be used to meet at least a

support Staff’s proposal on Slide 12 of the *Credits for Biogas and Renewable Natural Gas in the Gaseous Stream* presentation.

⁴ *Clean Fuel Standard: Specified End-Use Fuel Switching in Liquid Transportation Fuels*, Slide 7, ECCC Presentation March 19, 2019.

⁵ *Ibid*, Slides 8 and 11.

portion of any compliance need of obligated parties in the liquid stream for 2022 and beyond?⁶

- When the fueling facility makes the claim that RNG was used in transport, does the entirety of all credits generated for that quantity of RNG now belong to the fueling facility owner? Or, alternatively, does the fueling facility only receive the delta between the credit for RNG use in the liquid stream above and beyond the gaseous credit?

Finally, any proposal assigning the first right of credit generation to the fueling facility owners will benefit from the flexibility to contractually pass the right to generate credits to other counterparties or aggregators (including the RNG producer/importer).⁷ We strongly encourage ECCC to allow this.

Waste Feedstocks Should Receive Zero Upstream Emissions and Negative Carbon Intensity (CI) Scores

We support ECCC's recommendation that waste feedstocks, such as municipal solid waste, not be allocated upstream emissions associated with waste collection and handling.⁸ These wastes would need to be disposed of in the absence of any RNG project and, therefore, the emissions associated with this waste handling should not be assigned to RNG production which reduces emissions from these waste streams.

We also believe that the CI scoring should recognize the benefits of biogas/RNG projects involving waste streams that would have otherwise emitted methane (or other high-GWP gases) in the counterfactual case (i.e., without the RNG production facility). Accounting for these avoided emissions correctly is extremely important to the RNG industry. The parsing of terms such as "wastes", "residues," and "co-products" continues to be one of the more polarizing aspects of fuel policies involving lifecycle analysis (LCA). We encourage ECCC to lay out a clear framework for how this evaluation will be conducted for various common biogas feedstocks early in the CI tool development.

⁶ Per the [Clean Fuel Standard Regulatory Design Paper](#), draft regulations for the liquid fuel stream are planned for publication in the Canada Gazette, Part I in spring or summer of 2019, with final regulations in 2020 and coming into force in 2022. The draft regulations for the gaseous and solid fuel streams are targeted for publication in the Canada Gazette, Part I, in late 2020, with final regulations in 2021 and coming into force in 2023.

⁷ This is allowed in California's LCFS and we understand that ECCC is considering allow this flexibility per page 12 of the [Clean Fuel Standard Regulatory Design Paper](#).

⁸ *Fuel LCA Modelling Tool, Milestone 1, Slide 9, ECCC Presentation March 19, 2019.*

Any Uncertainty Analysis in CI Scoring Should Avoid Creating Ambiguity for Pathway Applicants

It is unclear how the material presented on uncertainty analysis⁹ will be reflected in the scoring of individual pathways. The utility of uncertainty analysis/stochastic models is clear when the desired outcome is boundary-testing of the model for the impact of individual assumptions or when creating an appropriate uncertainty range of results for academic analysis.

We are unclear how those concepts relate to creating a replicable CI tool useful to incent investment across multiple applicants. Because applicants are all contending for market share in a competitive environment, variability in factors outside of their control should not be inserted into the CI scoring in a way that impacts results differently from one applicant to the next.

We look forward to hearing more details about ECCC's proposal on this issue and request that the goal be to maintain a level playing field across all CI pathway applicants, to provide market certainty for investors, and allow applicants to demonstrate measured carbon intensity improvements across the lifecycle of their fuel.

RNG Should be an Eligible Use of Expenditures from Any Emission Reduction Fund

The RNG Coalition supports the creation of cost containment mechanisms as outlined by ECCC's proposal. Cost containment features in emission credit markets can increase investor certainty and provide consumer protection. Specifically, both a Credit Clearance Market and an Emission Reduction Fund (ERF)¹⁰ could work well in tandem to control credit prices in a desired range.

Any such cost containment mechanisms in the Clean Fuels Standard should be designed so that low carbon fuel projects have ample opportunity to monetize the credits they've generated prior to the availability of flexible compliance options, and that any ceiling price is set well above the upper bounds of a credible assessment of the long-run social cost of carbon. Tying the ceiling price to a strong upper bound

⁹ *Fuel LCA Modelling Tool, Milestone 1, Slide 22-23, ECCC Presentation March 19, 2019.*

¹⁰ *Clean Fuel Standard Fund Contribution Compliance Mechanism, ECCC Presentation March 20, 2019.*

estimate of the social cost of carbon ensures that investments that cost-effectively help address the potentially catastrophic environmental damages associated with climate change are properly valued and incented.

If ECCC moves forward with the creation of an ERF, the return of value from such a mechanism to additional greenhouse gas abatement should be prioritized. Specifically, the permissible use of these funds should include RNG projects and infrastructure to promote increased RNG development, deployment and utilization.

On behalf of the Coalition for Renewable Natural Gas, thank you very much for the opportunity to comment. We look forward to the continuing dialogue in the technical working group, to serving as an industry resource and participating in a successful Clean Fuel Standard program.

Sincerely,

A handwritten signature in blue ink that reads "Sam Wade". The signature is written in a cursive, flowing style.

Sam Wade

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