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California Air Resources Board
1001 I Street
Sacramento, CA 95814
VIA ONLINE SUBMISSION

RE: October 29th Workshop: Potential Amendments to the Cap-and-Invest Program

Dear CARB Members and Staff,

The Western Propane Gas Association (WPGA) appreciates the opportunity to comment on the October 29th workshop on potential amendments to the Cap-and-Invest Program. Our members supply conventional and renewable propane throughout California for residential, commercial, industrial, agricultural, and transportation use. As a fuel industry, we strongly support the State's climate goals when implemented in a manner that preserves affordability, reliability, and parity across low-carbon fuels.

RENEWABLE PROPANE EXEMPTION

As stated in our previous submissions (October 26, 2023 and June 21, 2024), WPGA continues to request that renewable propane and other biogenic fuels developed as liquefied petroleum gas (LPG) fuels be explicitly exempted under 17 CCR § 95852.2 "Emissions without a Compliance Obligation." This change would align California with other jurisdictions, notably Washington State's Cap-and-Invest program, which exempts all "renewable fuels of biogenic origin" (WAC 173-446-040(2)(a)(i)), and bring parity for biogenic fuels within California's carbon market.

Renewable propane is a drop-in hydrocarbon fuel with identical chemical composition to conventional propane, but is derived from biogenic feedstocks at a fraction of its carbon intensity. Other biogenic fuels such as renewable diesel and ethanol receive exemptions, yet renewable propane remains ineligible despite its proven GHG benefits and compatibility with existing infrastructure. This disparity creates a market disincentive that directly affects propane consumers and businesses throughout the state.

Propane is particularly important for rural and hard-to-decarbonize communities that lack access to natural gas or electrification alternatives. Exempting biogenic propane would enable greater GHG reductions in these areas without burdening consumers with additional costs. It would also encourage investment in California-based renewable fuel production facilities and support the State's broader goals under AB 1207 and SB 840 to decarbonize in a cost-effective manner.

Therefore, we urge CARB to propose explicit regulatory language exempting renewable propane and biogenic LPG in the upcoming rulemaking and to consider revising § 95852.2 to reference “all renewable fuels of biogenic origin.”

INDUSTRIAL ALLOWANCE ALLOCATIONS AND LEAKAGE PROTECTION

The Cap-and-Invest workshop highlighted the need to maintain adequate industrial allocations through 2030 and beyond to minimize emissions leakage and preserve California’s manufacturing base. Propane users, including households, food processors, metal fabricators, agriculture operations, warehousing, and rural industrial sites, are directly affected by changes in allowance allocations, as propane is often their sole fuel for process heat and backup power.

WPGA supports CARB’s intent to keep 100% assistance factors through 2030, as mandated by AB 1207, and to design a post-2030 allocation methodology that minimizes leakage risk and maintains affordability. We recommend CARB adopt the “current CAF schedule” concept (Concept 2 in the October 29th presentation) to avoid further tightening industrial allocations in the context of reduced overall budgets. A proportional reduction would shift additional cost burdens to propane end-users and create competitive disadvantages for California businesses already facing high energy costs.

Additionally, we encourage CARB to consider manufacturing decarbonization incentives funded through a portion of industrial allowances (as modeled in Québec) to support projects that utilize renewable fuels, such as renewable propane or onsite electrification, where feasible.

CONSUMER AFFORDABILITY AND RURAL EQUITY

As the workshop presentation emphasized, affordability is a core principle under AB 1207. Cap-and-Invest should not penalize consumers in rural and mountainous communities who depend on propane for heating and business operations. Unintended cost shifts from industrial allocation changes or fuel classification inconsistencies will translate into higher energy prices for these Californians, contrary to the program’s equity objectives.

WPGA urges CARB to integrate renewable propane into the State’s broader strategy for rural energy transition and to recognize propane’s role in supporting reliability and resilience during emergency events and grid outages.

CONCLUSION

WPGA thanks CARB for its continued engagement and attention to affordability and industrial leakage issues as it updates the Cap-and-Invest Program. We respectfully request that the next iteration of staff concepts explicitly propose:

1. A renewable propane and biogenic LPG exemption under § 95852.2; and
2. An industrial allocation methodology that maintains existing leakage protections and supports low-carbon fuel use in industrial sectors.

We welcome the opportunity to discuss these recommendations further and collaborate on language that supports equitable, cost-effective GHG reductions across California’s economy.

Sincerely,

A handwritten signature in black ink that reads "Krysta Wanner". The script is fluid and cursive, with the first name "Krysta" and last name "Wanner" clearly distinguishable.

Krysta Wanner

Director of Government Affairs

Western Propane Gas Association

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