Regulatory Pathways for Advancing Low-Carbon Gas Resources (LCR) for Gas Distribution Companies

Low-Carbon Gas Resources include Renewable Natural Gas (RNG), Hydrogen (H_2) and Certified Natural Gas (CNG).

The natural gas infrastructure has consistently provided solutions to meet energy needs and environmental goals, and it has an important and enduring role to play in addressing the challenges of climate change.

Growing the supply and demand of low-carbon gas resources through natural gas infrastructure creates many benefits for communities (e.g., environmental, economic development and waste management).

Gas utilities bring unique abilities and expertise related to financing and constructing new infrastructure, operational safety and efficiency, convening stakeholders and interacting with customers. Policies to expand low-carbon gas resources may be more successful by utilizing these gas utility advantages.

Natural gas infrastructure has been instrumental in reducing emissions in the transportation sector by using its pipeline and storage assets to deliver RNG to the market.

Key Findings

- Decarbonization policies do not have to be limited to just advancing renewable electricity.
- Legislative support and clear regulatory authorities are needed to expand the supply and demand of low-carbon gas resources at scale using gas utility systems.
- Gas utilities must educate stakeholders, including legislators, regulators and the public, on the environmental, safety and economic benefits of LCR.
- The merits of LCR should be based on regulatory mechanisms that look beyond the cost of natural gas, assessing how effective they are in achieving environmental objectives compared to other options that could be deployed.
- Policies to advance LCR must consider their resource potential at both a regional and national level, as well as the connectedness of the gas delivery system.
- Regulatory requirements, public policy objectives and resource availability require different approaches in different jurisdictions.

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Navigating Primary Barriers to Advancing LCR

Advancing LCR at scale will require navigating potential barriers, using a host of enabling pathways to alleviate or minimize barriers. In searching for solutions to these barriers, stakeholders should contemplate a range of considerations.

Examples of Overcoming Barriers to Advance LCR

Many gas utilities and stakeholders are working together to address the barriers to advancing LCR in jurisdictions across the United States, Canada and the United Kingdom. The table below provides some examples.

Barrier	Action Taken	Some Jurisdictions of Note
Ambiguous Authority	Explicit Legislative Guidance, Climate Goals and Targets, Gas RPS, Regulatory Authority to Consider Environmental Impacts in Regulatory Decisions	CA, MD, VT
Cost	Relaxing the Least-Cost Mandate, Carbon Pricing	CA, FL, OR, MN
Environmental Concerns and Uncertainty	Education and Outreach	MA, RI, OR
Aligning Utility Incentives with Policy Objectives	Rate Base Investment, Innovation Funding Programs, Pilot Programs, Incentives, Purchased Gas Adjustment (PGA) Mechanisms, Voluntary Green Tariffs	OH, ME, NJ, IL, WA
Cost Causation and Who Should Pay	Utility Rates and Riders, Public/Private Partnerships, Business Alliances, Green and Sustainability Bonds	Canada, United Kingdom
Technical Considerations	Infrastructure Replacement Programs, Rate Base Treatment of Interconnection Costs, Interconnection and Gas Standards	GA, AZ, CT, NY, NC

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