



May 11, 2017

Sam Wade
Branch Chief-Transportation Fuels
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Dear Sam:

H2 Renewables (www.h2renewablesllc.com) is writing to encourage the Air Resources Board to clarify that the **Low Carbon Fuel Standard Credit** should reside with the hydrogen producer, not the retailer. This policy choice is important for helping hydrogen producers produce green hydrogen at prices that compete with less expensive brown hydrogen, get financing and to minimize administrative costs.

First, regarding financing, H2 Renewables is raising capital for the first phase of a plan to build over 50 tons per day of hydrogen produced by electrolyzers using renewable power. The revenue from selling LCFS credits is integral to securing these funds. Shifting the ownership of these credits to retailers increases the uncertainty of this revenue source by creating the need for additional contracts and involving retailers that may not be creditworthy. At best this increases the cost of financing and at worst jeopardizes it completely. We note that the State of California has substantially subsidized the construction of stations but has thus far done little to help producers of renewable hydrogen.

The second reason we recommend that hydrogen producers own the LCFS credits in order to minimize administrative costs. There are far fewer producers than retailers. In addition to the 100+ fuel stations planned, there are numerous intermediaries which serve the end-user industrial market for hydrogen. Particularly as the demand for renewable hydrogen grows, it will be far easier and lower cost to locate the administrative costs with the producers than with the retailers. For example, since the LCFS credits are so important for financing as described above, the producers will need to hire personnel to keep track of the credits in any event, and thus if the retailers own the credits this will end up at least doubling the administrative cost.

Please contact me at 203-970-9752 or rpchew1@aol.com to further this discussion.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Robert Chew', written over a white background.

Robert Chew
Chief Executive Officer
H2 Renewables LLC
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Plymouth, MA 02360