Shell Energy North America
4445 Eastgate Mall, Suite 100
San Diego, CA 92121
Tel 1+ 858 526 2109
www.shell.com/us/energy

December 4, 2017

Via E-Mail: LCFSworkshop@arb.ca.gov

California Air Resources Board
Industrial Strategies Division
Transportation Fuels Branch
1001 I Street
Sacramento, CA 95814

Re: 2018 LCFS Preliminary Draft Regulatory Amendment Text

Shell Energy North America (US), L.P. ("Shell Energy") trades and markets natural gas, electricity, and environmental products including renewable energy, renewable fuels, RECs, LCFS credits and RINS in California and throughout North America. Shell Energy is also a registered Energy Service Provider ("ESP") in California serving retail customers under the State's Direct Access Program.

Improving Electric Vehicle and Hydrogen Crediting

Shell Energy appreciates this opportunity to comment on and support ARB's efforts to improve electric vehicle ("EV") and hydrogen crediting under the LCFS. At the workshop on November 6, ARB Staff discussed the current LCFS credit generation structure associated with EV charging as well as a new conceptual structure for incremental EV crediting. Two of the topics of specific relevance to Shell Energy are the potential for all Load Serving Entities ("LSEs") to participate in LCFS credit generation if supplying renewable energy to customers above the State's RPS mandate and the struggles to accurately calculate the Grid Average Carbon Intensity ("CI").

On November 6, Staff suggested a possible pathway for LCFS credit generation based on the Investor Owned Utilities ("IOU") Green Tariff Shared Renewables Program emphasizing the need and interest for the pathway to work for all LSEs. Shell Energy appreciates Staff's recognition that there are other programs upon which this pathway could be based. For example, numerous Community Choice Aggregators ("CCAs") currently offer electric portfolio products with a higher renewable energy content than the State's mandate. Additionally, ESPs offer flexible products to individual customers upon request that can include varying levels of renewable procurement. Monthly or quarterly reports validating the incremental renewable procurement associated with customers employing EV charging can substantiate credit validation against monthly EV meters. ARB can create additional steps to support third party validation utilizing individual customer monthly metered load data against individual customer invoices.

Staff also suggested developing time-dependent grid CI's, presumably in order to encourage EV charging when renewable energy is most likely to be in an over-generation situation. Shell Energy urges ARB not to make the pathway overly complex by requiring an hourly (or a time-of-use) tariff-based approach, as the IOUs and municipal utilities are likely to implement tariffs that are specific to their service territories; not all LSEs offer pricing through tariffs. Alternatively, ARB could provide a higher LCFS credit generation ratio during forecasted times of renewable energy over-generation. ARB could publish those times in advance annually, and then validate against the real-time meter data provided by the LSEs for confirmation.

Numerous comments were provided at the workshop in response to developing a statewide Grid CI. While Shell Energy supports a statewide Grid CI, Shell Energy encourages ARB not to rely on other agencies' data. The intent of the state agencies undertaking RPS or clean energy assessments varies significantly from the purpose of the LCFS program.

Further, ARB currently has the means to determine a statewide Grid CI. All electricity imported into California is tagged into (and out of) the California balancing authorities. Those NERC E-Tags identify the source or balancing authority with a specific emissions profile (or one could be developed under a process similar to the Asset Controlling Supplier annual emissions calculation). That data, in conjunction with the annual data ARB collects from in-state resources emitting more than 10,000 tons of CO_2, could be combined, (exports eliminated) and divided by annual state electricity consumption. This would provide a reasonable annual statewide Grid CI.

Finally, ARB Staff asked if other changes were necessary with respect to hydrogen station deployment. Shell Energy supports the "Hydrogen Infrastructure Investment Credit" pathway recommendation introduced at the workshop. In recent years, a great deal of the State's policies and incentives have favored plug-in EV infrastructure build out and deployment. However, in order to achieve the State's carbon reduction goals, infrastructure for hydrogen fuel cell vehicles must additionally become a commercial reality. Providing LCFS credits from unutilized hydrogen station capacity can accelerate the build out of hydrogen stations, just as the IOUs' opportunity to earn a rate of return on EV infrastructure investment has accelerated the EV infrastructure buildout in support of the State's ZEV mandate.

Further, given the statute requiring hydrogen production utilize 33% of its energy from renewable resources, this pathway would increase the demand for renewable natural gas and electricity without negatively impacting other fuels/technologies. Adopting this pathway for a limited ten-year period enables infrastructure deployment while avoiding market saturation under the sunset provisions. And while the scale would likely be minimal in relation to the total credits generated under the program, any additionality in an already tight LCFS credit market will provide additional liquidity.

Conclusion

Shell Energy appreciates the opportunity to provide these comments on potential amendments to the LCFS regulations. If you have any questions regarding these comments, Shell Energy would be happy to discuss these comments in greater detail.

Respectfully submitted,

MAMilner

Marcie A. Milner
Vice President, Regulatory Affairs
Shell Energy North America (US), L.P.
4445 Eastgate Mall, Suite 100
San Diego, CA 92121
Phone: 858.526.2106
Fax: 858.320.2606
E-Mail address: marcie.milner@shell.com