Tradesman Advisors, Inc.

January 7, 2022

Via Electronic Submittal: Comment Docket

Cheryl Laskowski
LCFS Chief
California Air Resources Board

RE: Comments on December 7, 2021 LCFS Public Workshop: Potential Future Changes to the LCFS

Ms. Laskowski:
As an advocate for several LCFS regulated entities, I would like to state my appreciation for the recent workshop and open comment period. It had been more than a year since the previous workshop, and there were many policy and process questions remaining after last Fall's event. The December 7th workshop provided some additional insight into where CARB is headed with the next LCFS rulemaking, and several of my clients will be submitting entity-specific comments. The preview was helpful on several fronts, but as it answered some questions it created others that are of a more general nature, and ones that cross-cut fuel types. Therefore, I am submitting this letter to highlight some of the important questions raised to encourage timely additional information dissemination from CARB.

The LCFS program created a multi-billion dollar environmental commodity marketplace, that to date has achieved its goal of reducing California's transportation fuel mix carbon intensity. We all know there is more investment and innovation that is heading to the State as a direct result of this Program's consistent market signal. That is why it is important that CARB not leave key questions and details unanswered for too long. The LCFS program is really about accounting and certification, so details matter—a lot. Business, logistical and investments decisions are being decided each and every day in the transportation energy marketplace, and the workshop materials are already impacting those decisions with added uncertainty. Knowing that a full rulemaking is pending, there is still a hope that some of these questions can be clarified prior to the given effective date, or even kick-off process toward any new amendments.

The possibility of a "single CI benchmark" was proposed. This potential change would impact credit generation and therefore the market dynamics. Has CARB done an analysis on if this would benefit credit generation toward either type of liquid fuel pool? The math on this is important to know how it would actually be accomplished. Given the different energy densities of the gas/diesel pool, would CARB average values, or would there be a correction/adjustment factor(s)? Staff seemed to be asking about policy concerns, but a robust discussion on the mechanics seems warranted as well.

Staff suggested, and there was robust discussion about the possibility of removing the "deemed complete" application date. It was stated that the intent was to clarify the process and not change the reporting/crediting mechanics. It is hard for stakeholders to really weigh in on this topic without the details. Was this proposal for Tier 1 simplified calculator applications only, or both T1 and T2 applications? As we know the timing and process for deeming an application complete is different depending on the type of application. For T2 applications specifically, that date has significant financial implications. What becomes of the process itself? Will there be a deadline for CARB action on pending applications, or will CARB consider incorporating a 'dashboard' on application status so business and logistic decisions can be timely made?

The bullet seeking input on potentially phasing out petroleum projects credit generating opportunities was vague and has considerable impact on immediate investment decisions. It was not discussed in detail at the workshop. Is this a 2045 timeline, a 2030 timeline, or something else? What about already approved projects which are currently receiving credits? What analysis has been done to ensure there is a global benefit to such a change? What is the scope of the bullet? Does it include any project that has a petroleum component, or just projects that are 100% petroleum focused? Large capital projects are being impacted already, and any additional uncertainty or regulatory risk can have significant negative consequences to all parties, including the LCFS program.

These are just some of the initial questions that have come up, but there are certainly more out there. Each one has the potential to impact short and long-term investment decisions. It is important that CARB, giving the stated timing of a rulemaking, address some of these issues sooner rather than waiting another year to start flushing out details. I encourage additional workshops or the formation of workgroups for some of the more technical issues, such as ILUC, to ensure the process of updating this important rule is done in a continuum rather than in batches of big proposals.

I am always open to discussion on these or other topics related to the program.

Jon Costantino
Principal, Tradesman Advisors, Inc.