



Michael Costanza
Director
Environmental Services

August 8, 2022
Ms. Cheryl Laskowski,
Branch Chief, Low Carbon Fuel Standard Team
California Air Resources Board
Submitted via LCFS Comments Upload link

RE: Comments on "Potential Changes to the Low Carbon Fuel Standard"

Dear Ms. Laskowski:

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB) on "Potential Changes to the Low Carbon Fuel Standard," as presented by Staff at the July 7 (2022) Public Workshop. Penske Truck Leasing Co., L.P. ("Penske") is a nationwide leader in low-emission transportation, and has made a company-wide commitment to a comprehensive transition to zero emission vehicles (ZEVs).

As one of the nation's leading providers of transportation solutions, Penske shares CARB's long-term emission-reduction goals. Our commitment to systematically transition to ZEVs is manifested through our strong investments in multiple medium- and heavy-duty electrification projects over the last five years. These projects have afforded Penske invaluable experience working with CARB, California utilities, local air districts, major vehicle manufacturers (including startups), charging infrastructure manufacturers and developers, battery providers, and customers in the deployment and operation of new battery-electric transportation services across the entire supply chain.

We believe there are very few (if any) large transportation providers doing more than Penske to advance ZEVs and help build-out charging/fueling infrastructure. Penske currently operates one of the largest commercial fleets of medium- and heavy-duty ZEVs in the United States. Our fleets include heavy-duty BEVs from multiple OEMs, including Freightliner, Volvo, Navistar, Ford, Roush, Kalmar, Orange EV, and many others. Many of these ZEVs operate out of six (6) Penske sites in California, which are fully equipped with medium- and heavy-duty EV charging infrastructure. In addition to our current sites, we are now in the planning and development stages to equip most of our owned sites throughout the state with charging equipment that will allow us to advance our shared zero-emission goals.

Penske's broad efforts to gradually transition our entire fleet to ZEVs is a comprehensive, all-encompassing effort. It entails on- and off-road vehicle applications that range from those most conducive to electrify (e.g., forklifts), to those that are much more challenging (e.g., Class 8 trucks and large cargo-handling equipment). Our growing familiarity with ZEVs across all sectors -- coupled with our comprehensive understanding of charging infrastructure and real-world commercial fleet applications -- uniquely positions Penske to be a CARB resource for front-line data and information regarding the availability, use, and application of ZEVs. Moreover, it allows us to serve as a partner in CARB's efforts to draft, adopt, and implement successful new regulations (e.g., ACF), as well as to help improve existing regulations like the Low Carbon Fuel Standard (LCFS).



On behalf of the entire Penske team, we want to thank CARB staff and the Board for engaging with us throughout the comprehensive regulatory process that includes the LCFS regulation. Based on “potential” LCFS changes that CARB staff has workshopped to date, our specific recommendation is provided below.

Proposed “Phase Out of Credit Generation for Electric Forklifts”

As you know, Penske operates a large fleet of electric forklifts, for which we receive LCFS credits. Under the overarching category of potential “Policy Alignment,” CARB is now considering “opportunities for credit phase-outs (slide 21 of the July 7 public workshop). Specifically, staff is “soliciting feedback on phase-out of credits for electric forklifts. Staff’s rationale for considering such action is basically twofold: 1) electric forklifts are compelling options for fleets without LCFS credits, due to their inherently low cost of ownership); and 2) California is moving towards a Zero-Emissions Forklift Regulation that will require all forklift purchases after 2025 to be zero emission (battery electric or fuel cell electric).

From participating at the public workshop, the Penske team understands CARB staff’s rationale. However, we respectfully submit that *it is too soon to remove the capability of electric forklifts to generate LCFS credits*. While electric forklifts remain one of the easiest pieces of equipment to convert to ZE, LCFS credits generated from forklift’s participation in the program play an important role in the “ecosystem” of transitioning goods movement fleets to ZEV. LCFS credits in this category go well beyond their value for Penske (and other large on-/off-road fleets) to electrify forklifts. The collective experience of deploying ZEVs (hardware, software, charging infrastructure, maintenance and safety protocols, accounting of LCFS credits, etc.) in these early applications has been and will continue to be very important for Penske’s ability to systematically transition to ZEVs across all medium- and heavy-duty vehicle applications – which, as noted, present the greatest challenges and barriers to overcome.

In addition to the ecosystem benefits of electric forklifts participating in the LCFS program, our team believes that electric forklifts have yet to become fully economical without participation in incentive programs such as the LCFS program. While electric forklifts continue to become more affordable, they maintain a higher initial cost compared to combustion-based units. These costs include the battery and charger that can cost the owner an additional \$2,000-\$6,000, with additional batteries often being purchased to combat the 8 hours of charging and 8 hours of cooling required before a battery can be reused. Without the added incentives of LCFS credits, potential buyers will place a higher emphasis on the initial unit cost where they may have previously balanced the initial costs and the LCFS credits they would be receiving. This is compounded in places such as California where there is a high cost of electricity which will further erode the value proposition electric units have over their combustion counterparts. Our team believes that such financial implications may deter potential buyers from purchasing electric forklifts.

While the state looks to transition to fully electric forklifts, a significant portion of forklifts operating in California remain powered by propane, with the continuation of the LCFS program assisting in the complete transition to electric equipment. With CARB reviewing a possible ban on the purchase of propane-powered equipment, the LCFS provides incentive for fleet operators to transition their forklifts prior to the 2026 cut-off.



Conclusion and Recommendation

Penske respectfully recommends that CARB takes no action at this time to remove electric forklifts as a credit-generating option under revisions to the LCFS regulation. Simply put, there are synergies and of scale at work here that are paying dividends towards expediting ZEV deployments across our entire fleet. Keeping electric forklifts in the LCFS credit system we will help us continue to partner with CARB and other state/local agencies as we aggressively pursue ZEV transitions, wherever practicable and suitable to meet the needs of Penske's customers.

Thank you for this opportunity to help further improve and extend California's world-leading LCFS program. We look forward to engaging with CARB on the issues raised herein.

Sincerely,

Michael Costanza
Director
Environmental Services