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August 8, 2022

Chair Randolph and Members of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**RE: 3Degrees' Comments in Response to July 7, 2022 Public Workshop on Potential Changes to the Low Carbon Fuel Standard**

3Degrees Group Inc. ("3Degrees") appreciates the opportunity to submit comments in response to the California Air Resources Board's (CARB) July 7th workshop regarding potential changes to the Low Carbon Fuel Standard (LCFS). 3Degrees is a global climate and clean energy solutions provider. As part of this work, we participate in the LCFS program as a designated reporting entity on behalf of a variety of opt-in parties with light-duty electric vehicle (EV) chargers, electric forklifts, hydrogen forklifts, and heavy-duty EV fleets. We are also an active fuel pathway developer.

3Degrees supports CARB's continued investigation into how to leverage the LCFS to accelerate and expand transportation decarbonization in California. We offer the following recommendations in response to the July 7th workshop:

## I. 3Degrees supports increasing the stringency of the LCFS through 2030 and setting long-term targets post-2030.

3Degrees strongly supports CARB increasing the stringency of the CI target and extending the program through at least 2040, in line with California's carbon neutrality goal. Obligated parties are generally over-complying with the regulation, as noted by CARB during the July 7th workshop, and third-party analyses indicate they will continue to do so absent regulatory tightening. CARB should increase ambition to be in line with the recent Scoping Plan, neighboring state clean fuel programs, and federal government policy developments.

We also recommend that CARB set interim five-year targets through at least 2040. Long-term program certainty supports investments in new vehicle and fuel technologies. This is in line with the principles of market-based environmental policies, which should provide clear market signals in order to successfully incentivize the projects and technologies needed for decarbonization.

The ambitious targets that are set during the upcoming rulemaking should consider the existing policy landscape, current market dynamics, and the urgency with which we must decarbonize the transportation sector. Since policy will continue to evolve within California as well as regionally and nationally, these targets must be re-evaluated to ensure that they continue to drive new investments. We recommend that CARB commit to re-evaluating targets every five years to confirm that they continue to be stringent enough to provide credit price stability and support decarbonization in light of policy and market developments. CARB should also establish publicly the criteria that will be considered when evaluating the targets.

## II. 3Degrees recommends that CARB develop a standardized framework for assessing if, when, and how "mature" technologies should be phased out of the LCFS.

Before considering moving forward with removing any technology from opt-in eligibility, CARB must establish a standardized framework for assessing if, when, and how any technology should be phased out of the LCFS program. It is critical that all technologies and fuels be held to a similar standard, and that CARB and LCFS stakeholders understand the implications any framework would have on other technologies, now or in the future. This is in line with CARB's goal of the LCFS "providing long-term price signals needed to support transition to ZEVs and decarbonize remaining liquid fuel demand" (July 7th Workshop, Slide 9).

In addition to establishing the "if" and "when" of potential technology phase-out, clear rules on "how" technologies will be phased out is important. The LCFS should provide an off-ramp or other provision geared at a smooth and predictable transition out of the program. These provisions ensure market certainty for ZEV manufacturers and market participants.

## III. As CARB considers expanding infrastructure crediting opportunities for medium and heavy-duty vehicles and for new low-carbon transportation fuels, we recommend alignment on designated reporting entities ("DRE") across credit generation opportunities.

As the program grows to include more credit generation opportunities, we strongly urge CARB to align and streamline treatment of DREs across credit generation opportunities. There are currently fuel applications where DREs are not allowed, as well as circumstances under which DREs do not inherit the program treatment of the designator. However, these inconsistencies do not appear to be in line with the underlying rationale to allow DREs and should be revised.

The entity with the first right to credits is meant to align with who is closest to the decision-making related to supplying low-carbon transportation fuels. These eligible credit

generators can designate another entity to generate credits on their behalf in order to benefit from the program even if they do not have the resources to manage program participation themselves or might not otherwise be able to participate directly. DRE designation is particularly beneficial for smaller entities, including entities providing smaller volumes of credit-generating fuels.

Specifically, we have experience with ZEV infrastructure owners who have had challenges participating in the program due to the inability to designate a reporting entity. It is unclear why, under current rules, the owner of non-residential charging equipment can designate a third-party to generate credits if it is generating credits for non-residential ZEV fueling, but not to generate credits under the infrastructure provisions of the regulation. This dynamic means that a ZEV infrastructure owner cannot benefit from a designated reporting entity to support credit generation for ZEV fueling nor with lowering the CI of that fuel. A ZEV fueling station owner choosing to use a 0-CI pathway for EV charging or low-CI pathway for green hydrogen would need to additionally manage an AFP account, a WREGIS account, and the application for the pathway, as well as quarterly REC procurement and retirement in accordance with LCFS rules and regulations. This disadvantages infrastructure owners and discourages full participation in the program, particularly for smaller or earlier-stage companies.

Across credit generation opportunities, 3Degrees recommends that ARB clarify that the credit generator is able to designate a DRE, and that this DRE inherits the priority and any other program treatment of the designator, e.g. allowing a DRE to assume first priority in generating incremental credits when designated by an LSE. We recommend that CARB implement this by creating a single section within the regulation that discusses DREs, in line with recent proposed revisions to the Oregon Clean Fuels Program.

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We look forward to continuing to work with ARB on the success of the LCFS program. Please reach out with any questions or for further discussion.

Sincerely,

/s/ Maya Kelty

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