NEXTera ENERGY RESOURCES

August 8, 2022

Ms. Cheryl Laskowski, Chief
Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Ms. Laskowski:

NextEra Energy Resources, LLC (NextEra Energy Resources) is California's largest renewable generation owner and operator and has been an electric generator in California since 1989. Our subsidiaries own and operate wind facilities, solar facilities, transmission assets, and battery energy storage systems in more than 20 counties across the state, representing approximately $7.8 billion in capital investment in California. We are a leader in clean energy with our own Real Zero™ goal – an industry-leading goal to eliminate carbon emissions from our operations by no later than 2045, while leveraging low-cost renewables to drive energy affordability for customers.

California has a long history of environmental protection and was one of the earliest and largest adopters of ambitious clean energy goals in the world. Because of California's early and aggressive adoption of renewable energy and the amount of land in conservation or otherwise development restricted, the supply of low-Carbon Intensity and zero-Carbon Intensity hydrogen in California will require hydrogen production both in and out of state.

As highlighted in the staff presentation at the workshop, if California's decarbonization goals are to be met, there is an increasing need for low-CI hydrogen to be supplied under the Low Carbon Fuel Standard (LCFS) program. However, at this time, the existing LCFS regulation favors in-state hydrogen producers and creates substantial barriers for out-of-state producers seeking to participate in the California market. As a hydrogen developer with a nationwide focus, NextEra Energy Resources urges CARB staff to propose amendments to the LCFS regulation that will alleviate the challenges faced by out-of-state hydrogen producers who will be key contributors in helping California meet its decarbonization goals.

NextEra Energy Resources appreciates the opportunity to provide comments on the proposed changes to the LCFS regulation following the July 7th public workshop.

1. Temporary Fuel Pathway

Under the current LCFS regulations, temporary LCFS fuel pathways are not available to out-of-state hydrogen producers. This means that unlike in-state hydrogen producers, out-of-state producers are not able to participate in the LCFS market and realize a return on their investment for the first 6 to 9 months until a provisional pathway is established. The LCFS market, coupled with federal tax credits and grant funding, together constitute a substantial revenue stream critical for project economics. The inability to capture credits the first year of production is problematic but seemingly resolvable. Although the current regulations do include a temporary pathway petition process, this process is not viable as it injects considerable uncertainty into project financing which increases investor risk making investment less likely. NextEra Energy Resources believes that this barrier could be overcome by simply adding a temporary pathway for out-of-state hydrogen for the next round of LCFS amendments and would like to work directly with CARB staff to develop this temporary pathway.

2. True-Up Credits

NextEra Energy Resources strongly supports the credit "true-up" concept brought up during the public comment period at the workshop. A robust and timely credit "true-up" process will not only support and highlight CARB's commitment to accurate accounting of GHG emission reductions but will also provide benefits to fuel producers. More specifically, this process would encourage investment in fuel production projects by providing more certainty that producers will receive full credit for the CI reductions their fuels generate and in the timing of credit generation.

3. Liquefaction Process Energy

The current LCFS regulatory language does not allow indirect electricity accounting for liquefaction of electrolytic hydrogen. However, for out-of-state producers, the most efficient means to transport hydrogen is in a liquid state. NextEra Energy Resources strongly supports indirect electricity accounting provisions such as the use of renewable energy certificates (RECs) and participation in regional Green Tariff, or other zero CI programs for all processes associated with low-CI electrolytic hydrogen production. In addition, NextEra Energy Resources maintains that hydrogen liquefaction is an inseparable part of the electrolytic liquid hydrogen production process- both from a project design and engineering standpoint- and should not be treated separately from feedstock energy. This change would also eliminate the need for a facility that uses the same processes and produces the same products to obtain multiple pathways.

Furthermore, the federal government though the Department of Energy ("DOE") is taking steps to establish a hydrogen economy supported by $8 billion in grant funding. The industry is already investing in hydrogen projects to be well-positioned to capture federal support for hydrogen projects. To be successful in obtaining federal grant funds, projects must first and foremost have sound economics over the long term with matching funding for 50% of the project cost. For the California market, that means stability in the existing CARB programmatic funding for low carbon fuels.

These proposed changes to the current LCFS regulation that will alleviate the challenges faced by out-of-state hydrogen producers and support low-CI hydrogen production is critical for leveraging the private sector investment required to obtain federal funding, all resulting in a lower cost hydrogen product to California consumers. To that end, we note that the timing of June 2024 for the effectiveness of new California regulations also argues for regulatory continuity as applications for federal hydrogen hub funding will be due in early 2023. If project developers cannot count on consistency of the hydrogen regulation currently in place for transportation, the projects seeking funding, and the commercial relationship underpinning them, will be more challenged.

We appreciate your consideration of our comments. Should you have any questions regarding our position, please contact me at peter.colussy@nee.com, or 916-606-9727.

Sincerely,

Peter Colussy
Executive Director, West Region Regulatory and Political Affairs
NextEra Energy Resources