energy independence now

Brian Goldstein
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Chair Mary Nichols and Board Members
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Dear Chair Nichols and Board Members;

Energy Independence Now (EIN), strongly supports the staff recommendation to strengthen and extend the LCFS program through 2030. We also strongly encourage your adoption of the ***Hydrogen Infrastructure Pathway*** to generate credits under the Low Carbon Fuel Standard (LCFS).

We also would like to highlight that one of the key policy recommendations of a soon to be released White Paper on Renewable Hydrogen (RH2) identifies that LCFS credits are a vital market incentive, establishing a critical revenue driver for fuel producers while the market for FCEVs is in its infancy. EIN developed the report in collaboration with the Leonardo DiCaprio Foundation and the California Hydrogen Business Council. Our key recommendations follow:

Extend the LCFS Program for 10+ Years

Station and fuel developers must be able to predict basic cash flow in order to justify capital investments to support FCEVs. LCFS credit revenue helps bolster cash flow for investors but the market is currently volatile due to volume fluctuations and uncertainty about the duration of the overall program. EIN recommends extending the LCFS Program to provide Hydrogen fuel infrastructure developers long-term certainty in order to make capital investments in our nascent industry.

Extending the LCFS credit market for 10 years or longer would provide a significant level of stability and bankability for investors as a support mechanism for a hydrogen market that could take decades to mature. Developers of hydrogen stations and production facilities could model revenue from LCFS credits through a significant portion of the lifetime of their equipment rather than just a few short years, reducing investment risk and making projects more attractive. This would also incentivize production of renewable hydrogen while lowering prices to consumers because LCFS credit values increase along with the amount of renewable content in the fuel.

Establish a Market Floor

The LCFS credit market is subject to a cap in credit values, limiting the maximum value of credits for fuel producers, but the program does not have a floor to ensure a minimum value for credits. A minimum value for LCFS credits would provide stability and confidence in the credit market, allowing investors to more accurately project revenue and mitigate the risk of financing new projects.

Consider Existing Pathways that Currently Do Not Qualify for LCFS Credits

While renewable grid content contributes to LCFS credit values for plug-in electric vehicles, renewable hydrogen producers do not receive LCFS credits for the same electricity. This puts hydrogen producers at a disadvantage by disregarding the actual renewable content of the fuel and forcing them to look elsewhere for renewable feedstocks. CARB should seek to create a fair market for LCFS credits by holding fuel producers to the same standards. CARB should also consider allowing renewable hydrogen project developers to leverage existing landfill gas production in California as an eligible feedstock to meet SB 1505 requirements and to qualify for LCFS credits at least in the near-term. California is phasing organic waste out of landfills and limiting new landfill gas projects but existing landfill gas projects have the potential to help bridge the gap in renewable hydrogen production while new facilities emerge using different feedstocks.

Ensuring that hydrogen has equal access to LCFS credits and that the program properly incentivizes the development of renewable hydrogen is critical to ensuring adequate private sector investment in infrastructure and innovation that can meet California's climate, clean energy and clean transportation goals.

Thank you for your consideration.

Sincerely,

Brian Goldstein
Executive Director
Energy Independence Now

CC: Richard Corey
Steve Cliff
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