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June 23, 2022

VIA ELECTRONIC FILING

Ms. Rajinder Sahota, Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Anew, LLC comments to the Draft 2022 Scoping Plan Update

Dear Ms. Sahota:

Anew, LLC (formerly Element Markets and Bluesource) is one of the largest climate solutions companies in North America, with a well-established track record of participation in California's various sustainability programs, including the Low Carbon Fuel Standard and Cap-and-Trade Program. We appreciate the opportunity to provide the California Air Resources Board (CARB) with comment on the proposed 2022 Scoping Plan Update.

We applaud the commitment to full carbon neutrality by 2045 targeted in the Scoping Plan and the comprehensive, fact and science-based approach taken in the development of this important document. We would like to emphasize the importance of a multi-prong approach to decarbonization represented throughout the Scoping Plan, as there exists no silver bullet for sustainability. Accordingly, it is paramount to objectively quantify and assess the essential contributions of all tools available to decarbonization, including the sustainable management of Natural and Working Lands as well as the continued expansion of the production and use of renewable natural gases.

We also urge CARB to continue its practice of appropriately assessing the relevance of short-lived climate pollutants in California's decarbonization efforts, as the reduction of methane and other SLCP emissions is one of the most cost effective and impactful avenues towards immediate climate action.

As established on Figure 1-8 of the Scoping Plan, transportation has the highest of sectoral carbon emissions. Accordingly, one of California's key programs for driving down the California fuel pool's carbon intensity – the Low Carbon Fuel Standard – is of exceptional importance to the Scoping Plan's success. As also correctly identified in the Scoping Plan's Strategies for Achieving Success in decarbonizing Fuels, the reassessment of LCFS carbon intensity goals through 2030 and beyond demands immediate attention. The LCFS program has become a global benchmark for environmental policy making by spurring investment across various clean fuels industries. By harnessing the credits market's power to attract private investment, it has catalyzed unprecedented carbon reductions in California's fuel mix.
However, the current market climate of LCFS credits is not able to sustain these investments. CARB's stewardship is essential to continuing crucial capital deployment into clean fuels, which is at a risk of reversal at current pricing levels. It is imperative to provide stakeholders with a clear signal of the robustness of the LCFS

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credit market, and expediently adjust the carbon intensity compliance curve for the continued success of this flagship clean fuels program.

We request that the Scoping Plan provide more detail and a firmer timeline on the acceleration of carbon intensity targets. The LCFS carbon intensity targets through 2030 must be strengthened without delay. Furthermore, the program's future beyond 2030 should be put on firmer ground to ensure long-term, lasting success. To further underscore the importance of this matter, we hereby resubmit Element Markets, LLC's comments to the CARB Public Workshop: Potential Future Changes to the LCFS Program held on December 7, 2021 in Appendix A to this document, which we believe to be highly pertinent to date.

We appreciate the opportunity to comment on the Proposed Rule and thank you for your consideration of your feedback. Please contact us at your convenience with any questions you may have.
Sincerely,

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Appendix A

Excerpt from Element Markets, LLC's comments to the CARB Public Workshop: Potential Future Changes to the LCFS Program held on December 7, 2021

Establish declining CI compliance targets post-2030, and potentially strengthen interim pre-2030 targets

The LCFS program has seen unprecedented success in achieving transportation-related carbon emission reductions, providing California drivers with a suite of diverse, secure and sustainable transportation solutions; as well as acting as a beacon and template for governances all around the world looking to decarbonize. We congratulate CARB for the successful implementation of this trailblazing program thus far and their wisdom in highlighting the importance of long-term market signals in the current rulemaking process.

The credit supply under the LCFS program is ever-expanding along several dimensions: (i) the volume and diversity of low-carbon fuels available in California is growing; (ii) the carbon intensity of the fuel mix is decreasing; and (iii) continuous supply-side program expansions are causing the crediting avenues available to participants to skyrocket. We believe that if administered correctly, all of these are hallmarks of a successful renewable transportation fuel program. However, these trends are creating an imbalance in LCFS credit supply that must be met with an appropriate credit demand and pricing environment. If the program were to fail to achieve this in lockstep with supply-side developments, it will fall victim to slow and inflexible implementation which will undermine the LCFS credit market.

The LCFS has spurred the buildout of a tremendous supply of low-carbon transportation fuel solutions, all of which are now on a collision course to upend the marketplace that made them possible to begin with. Without immediate action from CARB the wavering investor trust spiraling from the current LCFS credit value loss will not only stifle future growth of clean transportation solutions, but also undermine current value chains leaving Californians with a crumbling transportation fuel program that failed to convert initial achievements into strategic, transformative and lasting success.

The need for maintaining the LCFS program's ability to attract and enhance investment, innovation and California-focused implementation cannot be overstated. The LCFS program – like all other well-structured and administered market-based public initiatives – does not pick winners or losers, and instead acts as a catalyst for driving and harnessing the efficiencies that private investment-based development creates. This necessarily means that the LCFS has to continuously stay up to date, react and lead current market realities. Market events in Q4 2021, which sent LCFS prices into a freefall causing restrictive uncertainties for developers of clean transportation fuels clearly demonstrate the fragility of the program's hard-earned prior successes. Just as alarming as the tremendous loss in value essential to the producers of renewable fuels due to the recent price shock is the increase in banked credits. While an increasing inventory of unused credits may have been necessary in the early stages of the program, over the past 10 years the LCFS created a mature marketplace in need of balanced and continued growth stimuli. The fact that past performance can be relied on by market participants for program compliance to an increasing degree clearly indicates that rebalancing of the credit market is essential.

CARB must not delay action essential for the long-term viability of the LCFS program. Without bolstering LCFS credit demand and pricing today, the conversations around the compliance curve pre or post-2030 are moot, since the investments necessary to meet these targets will be long gone from the Golden State before this rulemaking's 2024 implementation timeline.

We strongly urge CARB to:

- Immediately announce that the compliance curve is expediently getting lowered pre-2030 and extended post-2030.
- Pursuant to the announcement, implement a stand-alone rulemaking for the new compliance curve effective 2022.
- Include market stability mechanisms in the current 2024-facing rulemaking, which provide a LCFS credit price floor and limit credit banking to enhance liquidity.
- When introducing future updates to the program that increase LCFS credit supply (e.g. by allowing new crediting avenues), do so only in lockstep with credit demand expansion measures (such as adjusting the compliance curve).