

September 19, 2022

Ms. Cheryl Laskowski
Branch Chief, Low Carbon Fuel Standard Team
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Comments on “2nd Public Workshop to Discuss 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 your second set of “Potential Changes to the Low Carbon Fuel Standard,” (LCFS) as presented by Staff at the August 18, 2022 Public Workshop.

Prologis is a leading developer of sustainably designed buildings that deliver multifaceted environmental benefits. We acquire, develop and maintain the largest collection of high-quality logistics real estate in the world. Our expertise is manifested through a comprehensive suite of solutions we offer our customers that help drive down energy usage, invest in renewable energy, and support decarbonization of supply chains. Not surprisingly, California -- with its world-leading goods movement system and network of logistical centers -- is a focus of our work in the U.S.

Prologis is an important -- albeit largely indirect to date -- player in the LCFS. We work with our customers to provide infrastructure buildouts that help transition our customers to zero-emission (ZE) battery-electric vehicles (BEVs), as well as fuel cell vehicles (FCVs) where applicable. However, as Prologis focuses efforts to accelerate the availability of electric vehicle supply equipment (EVSE) to our California customers, Prologis’s role as a direct participant in the LCFS program is expanding. In general, we are supportive of the “potential” LCFS changes now being considered and workshopped by Staff.

Respectfully, we submit comments regarding four related issues, as highlighted below. We believe our recommendations can help make CARB’s world-leading LCFS regulation even more impactful and successful than it has been to date.

Streamlining Implementation Comment #1: Allow credit true-ups

CARB staff have proposed allowing projects that initially operate on a temporary pathway carbon intensity (CI) to claim additional credits earned under their actual pathway, once the pathway is certified. Today, no retroactive credit generation is allowed in the LCFS, causing real GHG benefits to go unrecognized. As fleets face rapidly approaching deadlines for deployment of zero-emission equipment under regulations like the pending Advanced Clean Fleets rule, innovative solutions will be required to bridge gaps in the readiness of electrical utilities to support unprecedented demand for additional grid supply to facilities building out charging infrastructure. These solutions will need to be deployed at a pace greater than CARB staff’s ability to process and approve new Tier 2 pathway applications.

As described in our prior comment letter, Prologis is pursuing some of these innovative infrastructure solutions to support our customers. For example, Prologis is ready and able to meet power needs at customer locations next year (“behind the meter”) by deploying low-CI, renewable natural gas (RNG)-based electrical generation. However, this would be a costly solution if low-CI Book & Claim accounting for directed biogas RNG remains blocked. Similarly, if credit generation from such a project is limited by a temporary CI for several quarters while a pathway application is approved, the lost credit value would significantly harm the viability of the project.

CARB staff also proposed to modify the “deemed complete” date for Tier 2 pathways to better align with the Tier 1 pathway process. The proposed change would extend the timeline to receive a complete Tier 2 pathway by requiring the applicant to receive a positive or qualified positive statement from the Verification Body. Prologis does not object to the proposed change except that the impact would be to exacerbate the challenges outlined above with the rapid deployment of new projects/pathways. We respectfully request that CARB only adopt the change to the “deemed complete” date in conjunction with the proposed modification to allow credit true-ups as the true-up process would largely negate impacts from extended pathway approval timelines.

Streamlining Implementation Comment #2: Support for the creation of a simplified Tier 1 hydrogen pathway calculator

Prologis is aggressively pursuing a portfolio of low carbon solutions to provide transportation energy to its customers. Consequently, Prologis is supportive of additional options in the LCFS program to streamline pathway approvals for hydrogen. Tier 1 calculators are a useful tool toward this end, and should include options for production at the point of use and the use of book-and-claim renewable electricity as a feedstock in centralized and distributed hydrogen production.

Additionally, the LCFS program should recognize carbon capture and sequestration methods other than underground storage. For example, carbon captured and repurposed for end uses such as graphite for battery electrode manufacturing or carbon black for building materials provides the dual benefit of carbon sequestration and impact avoidance of traditional carbon extraction. Prologis strongly urges CARB to recognize these alternative forms of carbon sequestration. Additionally, in Tier 1 calculators for hydrogen pathways, CARB should provide predetermined emissions factors for coproducts such as graphite and carbon black that are likely to be associated with biomass/biogas-based hydrogen production.

Other Potential Updates Comment #1: Verification requirements for electricity transactions must be practical and cost-effective

Staff have proposed to extend verification requirements to include electricity transactions, including the eTRU and eCHE categories. Prologis recognizes the need for confidence in the transaction data submitted under the LCFS program. However, current verification requirements were developed primarily for large, centralized liquid fuel facilities. If these verification requirements are extended to small facilities with relatively few TRU plugs or other charging infrastructure, resulting verification costs could exceed credit revenues and disproportionately impact small fleets. Prologis urges CARB staff to engage in direct conversations with infrastructure and equipment owners in these categories to develop practical verification requirements and appropriate exemptions to verification.

We note that CARB staff have proposed extending the exemption to verification under Section 95500 (c)(2)(C) that applies to entities reporting less than 6,000 credits of volume for certain liquid fuel transactions. This section currently only extends the exemption for liquid fuel transactions that reflect fuel not used in transportation. While Prologis agrees with the notion of a minimum credit threshold before verification would be required for electricity transactions, transactions representing electricity used for transportation must necessarily be included in the exemption as electricity is an opt-in fuel and non-transportation transactions are not typically reported.

Conclusion

Prologis has and will continue to partner with CARB, other state regulators like CEC, local agencies such as SCAQMD, and fleets throughout California to expedite the build-out of BEV charging infrastructure. We believe our recommendations described above support and enhance CARB's goals to continue making improvements to the LCFS program that can accelerate both supply and demand/deployment of BEVs – especially MHVs used in the critical goods movement sector. We would be pleased to follow up with staff and Board Members directly to share our experiences around technology, infrastructure, and operations associated with BEV deployments, to help support an efficient, expeditious and effective transition to ZEVs in California.

Thank you for this opportunity to contribute to ongoing improvements to an already successful LCFS program. We look forward to engaging with CARB on the issues raised herein. Please do not hesitate to reach out to us with any questions you may have about these comments or Prologis' capabilities to support the State's clean energy transition.

About Prologis, Inc.

Headquartered in San Francisco, CA, Prologis, Inc. is the world's leading owner, operator, and developer of industrial real estate, focused on global and regional markets across the United States (U.S.), the Americas, Europe, and Asia. The company also leases modern distribution facilities to customers, which include manufacturers, retailers, transportation companies, third-party logistics providers, and other enterprises.

Prologis is also the world's leader in logistics real estate solutions, with a U.S. footprint covering approximately 614 million square feet of warehouses and distribution centers in about 3,230 buildings in 21 states. California is our largest market, where our portfolio includes close to 160 million square feet of space. These assets are an essential link in the flow of products throughout the country, with over \$1.3 trillion worth of goods flowing through Prologis' American distribution centers each year. This accounts for 30% of all goods shipped throughout the country and more than 6% of U.S. GDP across a wide variety of product categories, including food and beverage, apparel, electronics, medical supplies and pharmaceuticals, building and transportation supplies, and automotive supplies. Further, Prologis and its customers contribute roughly \$36 billion to the U.S. tax base every year.

In addition to providing exceptional service to its customers, Prologis distinguishes itself by working closely with each community in which it operates to ensure sustainable development, develop workforce solutions for the next generation of talent for the logistics industry, and provide environmental stewardship and leadership.

Prologis is also defining the future of commerce through investments in emerging technologies through Prologis Ventures. Its investment strategy is focused on addressing Prologis customers' most critical pain points and driving operational efficiencies in labor, transportation, warehouse operations, energy, and digital.

We are committed to being a national leader in the rollout of EV charging stations and providing enabling infrastructure to support Governor Newsom's Executive Order N-79-20 to transition light-duty and heavy-duty vehicles to ZEVs. Prologis supports our customers globally with various retrofit and build-to-suit vehicle electrification projects across last-mile and heavy-duty applications. As EV adoption accelerates, we expect EV charging to be ubiquitous across our portfolio around the world. We are here to empower our customers in their transition to a zero-emission vehicle future. Prologis is focused on supporting the net zero carbon transition of the movement of goods across long haul, last mile, drayage, and amenity.

Prologis works closely with its customers to understand their environmental goals and programs and has set a goal of achieving net zero operations across its value chain by 2040. Prologis' rooftop solar installations are a brand differentiator and place us third for on-site solar capacity among U.S. companies. We currently have 342 megawatts (MW) of solar generating capacity installed across our portfolio as of July 2022, with a goal of 1 GW of solar supported by storage by 2025.

By staying ahead of what's next, Prologis is helping to shape the next generation of American infrastructure and commerce.

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