August 30, 2018

Mary Nichols, Chair
Members of the Board
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Dear Chair Nichols and Board Members,

Thank you for the opportunity to comment on the current LCFS rulemaking. The undersigned businesses and organizations are all on record supporting the Low Carbon Fuel Standard and its continuation through 2030. We wish to call your attention to one element of the current proposal which would institute a counterproductive new provision in the LCFS, and urge you to commit to a thorough ongoing evaluation.

The current proposal provides LCFS credits to hydrogen and DC fast charging station developers based on the capacity of the stations they install, regardless of fuel volumes dispensed. At the August 8 workshop, staff proposed capping the total amount of infrastructure credits going to each DC fast charger or hydrogen station at the total capital cost of the unit, with a 10% discount rate on future credits to reflect ongoing costs. However, the second 15-day package removes the cap on hydrogen but leaves it in place for DC fast charging. As currently proposed, hydrogen station developers could receive LCFS capacity credits substantially in excess of the all-in cost of the station.

This proposed change undercuts a central tenet of the LCFS, which is fuel and technology neutrality, and is a departure from its successful model of basing incentives on real-world emission performance.

We recognize CARB's desire to support ZEV infrastructure in order to help achieve California's critical climate and air quality goals. This provision, however, stretches a market-based program too far: it guarantees that hydrogen project developers will recover the full capital cost of infrastructure in addition to assuring a high rate of return, a benefit offered to no other fuel pathway. Credits issued through this provision will reduce the support being offered to fuels that have demonstrated their ability to reduce near-term emissions. The current provision also guarantees capacity revenue for stations that have already been built. Capping the support to each station at its total capital cost, as proposed at the August 8 workshop, puts a sensible limit on the scope of this plan while still offering a significant increase in total assistance to ZEV infrastructure.

As you develop your re-adoption resolution, we urge you to instruct staff to return to the hydrogen station credit provision, and especially the lack of capped credits, at its earliest opportunity to evaluate its merit and efficacy.

Many of the undersigned groups are also submitting individual comment letters on additional topics, but we wanted to voice our shared request for your attention to this matter.

Sincerely,

Mary Solecki, Partner
AJW, Inc.

Will Barrett, Clean Air Advocacy Director
American Lung Association in California

Russell Teall, JD, President
Biodico, Inc.

Julia Levin, Executive Director
Bioenergy Association of California

Jennifer Case, Chair
California Advanced Biofuels Alliance

Carol Lee Rawn, Director of Transportation
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Nina Kapoor, Director, State Govt. Affairs
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Timothy J. O'Connor, Senior Director,
Energy Program
Environmental Defense Fund

Andy Wunder, Western States Advocate
Environmental Entrepreneurs, E2

Shelby Neal, Director of State Affairs
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Renewable Energy Group, Inc.

Geoff Cooper, Executive Vice President
Renewable Fuels Association