

September 24th, 2018

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento CA, 95814

RE: Final Regulatory Order amending the Low Carbon Fuel Standard

Dear Chair Nichols and Members of the California Air Resources Board,

Thank you for the opportunity to comment on the Final Regulation Order of the proposed amendments to the Low Carbon Fuel Standard (LCFS). **NextGen California strongly supports voting to adopt the proposed amendments, with an additional instruction to staff as discussed below.** We have been strong supporters of the LCFS over the last several years and look forward to building upon its success over the decades to come.

The production and consumption of transportation fuels accounts for over 40% of California's total GHG emissions. California cannot meet its long term climate and clean air goals, including those specified in SB 32 and Executive Order B-55-18 without significant reductions from this sector. The LCFS plays a crucial role in facilitating the kinds of transformative change which will be necessary over the coming decades. It is therefore crucial that the LCFS achieve the fullest extent of its potential to drive down emissions and support advanced clean energy technologies.

The LCFS has a strong track record of success to build upon; it has reduced carbon pollution emissions by more than 38 million tonnes since 2011,¹ supported over 300 California companies employing more than 20,000 workers, and contributed to over \$2 billion of investment in clean fuel production and distribution infrastructure.² By displacing highly-polluting petroleum fuels with cleaner alternatives, the LCFS has contributed to California's progress towards healthier air, saving over \$1.8 billion in health care expenditures by reducing the incidence of asthma, heart disease, lung cancer and other respiratory diseases.³ The LCFS is

¹ <https://www.arb.ca.gov/fuels/lcfs/lrtqsummaries.htm>

² http://www.calstart.org/Libraries/Policy_Documents/California_s_Clean_Transportation_Technology_Industry_-_2016.sflb.ashx

³ Internal analysis, based on methods presented in:

https://www.edf.org/sites/default/files/content/edf_driving_california_forward.pdf

supported by a broad and diverse coalition of California business, scientific, health and community stakeholders who recognize the unique value it provides.

The Final Regulation Order which you will be voting on represents over a year's worth of effort from Staff and a broad group of stakeholders. We would like to commend Staff for their commitment to open discussions during this time and thank them for the tremendous effort they've put in.

We feel that the Final Regulatory Order, as presented, provides a strong foundation for future success and addresses most of the substantive issues we have raised over this rulemaking period. We have one outstanding area of great concern, however, and we ask the Board to issue an instruction to staff as they vote to re-adopt, in order to ensure that any potential harms are mitigated.

CARB Should Instruct Staff to Review the Proposed Capacity Credit Pathways Before the Next LCFS Amendment Rulemaking to Ensure They Provide an Efficient and Appropriate Level of Support

We are deeply concerned that the proposed infrastructure capacity credits create an open-ended, inefficient and unnecessary commitment of revenue from the LCFS program, which will ultimately prove counterproductive to the State's climate and clean energy goals. While we recognize the value in supporting the deployment of ZEV infrastructure, the HRI proposal in particular will likely provide financial assistance significantly in excess of the actual costs to deploy the desired network of stations. **We urge the Board to instruct staff to return to this issue at their earliest convenience, to review the early performance of this program and conduct a thorough evaluation of the appropriateness of the levels of support offered by the infrastructure credit provision.**⁴

By instructing Staff to return to this issue during the next LCFS amendment process, CARB will ensure that a thorough evaluation of the incentives can be conducted, informed by the data submitted in the first wave of applications to the HRI program and supported by a public engagement process. Issuing a directed instruction now, as part of the amendment process, creates a clear and transparent signal to markets and researchers, which will allow for a robust and transparent review process.

⁴ Please refer to the suggested resolution language, attached to this submission.

CARB has an opportunity to build upon many years of success by extending a strong LCFS program through 2030 and building upon the foundation it has laid. California has an opportunity to continue its leadership in climate, clean energy and transportation policy for years to come.

We again thank CARB and the LCFS Program staff for the opportunity to comment on this critical rulemaking and for their effort, thoughtfulness, transparency and receptiveness to feedback through this process. Their work has produced a strong set of proposals for the LCFS program and we are confident that the LCFS can help deliver cleaner air, innovative technology and sustainable transportation for all Californians.

Thank you,

Colin Murphy Ph.D.
Transportation Policy Manager
NextGen California

THEREFORE BE IT RESOLVED that CARB instructs LCFS program staff to review the infrastructure capacity credit provisions to determine whether these provisions provide an efficient and appropriate level of incentive to achieve California's climate and clean air goals.

BE IT FURTHER RESOLVED that this review shall be completed in time to be given full consideration by the Board at the next rulemaking to amend the LCFS.

BE IT FURTHER RESOLVED that if this review finds that the level of incentive is not an appropriate and efficient mechanism to support deployment of ZEV infrastructure, staff shall propose amendments at the next LCFS amendment rulemaking to ensure incentives for ZEV infrastructure deployment are set at an efficient and appropriate level.

