November 14, 2019

California Air Resources Board Members
1001 I Street
Sacramento, CA 95814

Dear Members of the Air Resources Board,

AJW is writing to express support for the California Air Resources Board's (CARB) proposed amendments to the Low Carbon Fuel Standard's (LCFS) cost containment features. The cost containment mechanism (CCM) is an important provision of the LCFS. The proposed modifications not only provide further stability to the program in the event of a credit shortfall, but will also improve market confidence to invest in, and deploy low carbon fuels before a shortfall arises. Complete explanation of the importance of the CCM to the LCFS can be found in AJW's comment letter on April 22, 2019.

The CCM structure, proposed by CARB staff on April 5 and refined on July 31 is an appropriate solution, and will withstand the two main concerns AJW has heard from other stakeholders: (1) credit sources beyond non-metered residential electricity should be utilized and (2) ten million credits may still prove to be short of what the market needs.

In response to these concerns: First, utilizing non-metered residential electric credits is a stable source of long-term credits as opposed to other credit sources, which can fluctuate and undergo market transitions. As CARB staff stated in the April 5 workshop, "although the specific utility may change, we know there will always be a utility providing that power." This is a guaranteed credit source that other credits cannot claim. CARB has the data to predict advance electricity credits, whereas other credit sources are less consistent and predictable. This stability is an important tenet of CCM design.

In addition, the proposal will protect the environmental integrity of the LCFS program. By utilizing EV credits, every credit used for compliance with the LCFS represents a real ton of reduction below the standard and reflects actual decarbonization activities. This approach neither artificially creates credits, nor "borrows" reductions from anticipated future GHG reduction activities. Consequently, the proposed approach is entirely consistent with the established levels and timing of emission reductions sought by the LCFS carbon intensity targets.

To address other stakeholders' second concern: In the event that the ten million credits supplied from EV charging proves to be insufficient to meet sustained CCM demand, CARB will have ample time to adjust accordingly. AJW notes CARB's view that a sustained credit shortfall is unlikely. If future CCM adjustments are needed, the ten million credits provides CARB a sufficient runway during which it can adjust the mechanism based on practical experience.

Providers of low carbon fuels have also supported the proposal by CARB staff, as stated in comment letters from Iogen, Renewable Fuels Association, World Energy, and others in response to CARB's April 5th LCFS Workshop. This support demonstrates that CARB's proposal will have the intended market impact for low carbon fuel suppliers.

AJW supports CARB's work to improve the LCFS and ensure its long-term viability. We encourage CARB Board Members to adopt and implement the proposed regulatory modification. Doing so will accelerate technological innovations and investments in fuel decarbonization options, increase LCFS credit availability, and secure market stability for years to come.

Thank you for your consideration of our comments.

Sincerely,

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Cc: Rajinder Sahota, Chief of Industrial Strategies Division