

October 15, 2024

Ms. Rajinder Sahota
Deputy Executive Officer, Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento, CA 95864

Re: LCFS 15-day Notice Comments

Japan Hydrogen Forum (JH2F) is an organization formed in 2021 to contribute to the goal of decarbonization in the United States. It consists of 32 Japan-affiliated companies with hydrogen related technologies spanning production, carrier conversion, transportation, storage, and utilization. This including hydrogen fuel cell providers for heavy-duty (HD) truck and cargo handling equipment OEMs, as well as retail hydrogen refueling station (HRS) providers in California.

JH2F is encouraged to see some of the proposed language, LMD HRI provisions. However, we still concern on the HD HRI provisions with the proposed cap structure and some delayed timeline to implement key provisions making credits supply/demand situation well balanced such as Auto-Acceleration Mechanism and Crop-based biofuel twenty percent cap implementation. Thus, we would like to submit the following comments for further consideration in response to the LCFS 15-day notice available on October 1, 2024. While acknowledging the continued improvements to the program, we would propose some critical refinements to ensure the success of hydrogen, and its necessary role in meeting California's 2045 carbon neutrality goal.

Fuels Subject to Regulation

We support staff's modified language on the limitation to use crop-based feedstocks used to produce biomass-based diesel, which had contributed a very volatile LCFS market. With that said, we continue to express our view on the critical needs of LCFS market stabilization as soon as possible, by enacting this crop-based feedstock limitation at time of this amendments as originally proposed in the 1st 15 day comment package on August 12th, rather than waiting until 2028, which will impact the currently suffering low LCFS market situation.

We believe that stability of LCFS market is a fundamental market dynamic to attract infrastructure investment, and will play a critical role in early-stage infrastructure development such as hydrogen stations.

HRI – Light and Medium Duty(LMD-HRI)

Again, we appreciate your effort to incorporate some of the feedback made in the last comments and are in support of the proposed language on increasing HRI credit capacity. We support that the higher cap aligning with the existing LDV HRI program will further facilitate development of LMD hydrogen

station network and will encourage further investment for this infrastructure. However, we still see the language includes amount of HRI with 1.5x to capital expenditure (CAPEX), which limits the ability to reduce the cost of hydrogen at pump as it limits the cash flow in total. As this HRI credit and resulting cash flow are generated over operation rather than upfront support for CAPEX, we highly recommend that the HRI credit CAPEX limit be removed to achieve long-term cost reduction thus lower pump pricing.

We also request for previous grant approved stations that have not been built to be grandfathered in with the current HRI regulation of capacity maximum 1,200 and 15 years of crediting, considering these projects had applied for Grants based on the previous economics and not the new proposed rule with a limit of 10 years and 1.5x CAPEX constraints.

HD HRI program

We appreciate staff working with the hydrogen station developers to craft the program for heavy-duty (HD) HRI. While we noticed LDV HRI program has improvements on proposed language, we urge the importance of HD HRI program to consider the following improvements. While the 50% cap on HRI program is intended to prohibit over-credit generation while incentivizing large capacity station, we strongly believe that a higher cap is needed in earlier market situation. As typical HD hydrogen station will be planned with attached demand to start with, higher cap % on HRI is needed to support this initial customer segment in order to provide cost-competitive hydrogen at the pump. We deeply concerned that initial HD market with low hydrogen demand and 50% cap will result in higher cost of hydrogen at pump, creating even slower interest in adopting hydrogen trucks in the market.

To avoid over-credit generation, yet to support early-stage low volume station economics, we support the idea of introducing a limited-term higher cap structure, such as [80]% instead of 50% for the initial [3] years or by specific date such as 20[28], which enables accelerated establishment of HD hydrogen station networks, and such structure will even attract further investments to create positive market cycle.

Also, similar to LMD HRI side, we still see the language includes amount of HRI with 1.5x to capital expenditure (CAPEX), which limits the ability to reduce the cost of hydrogen at pump as it limits the cash flow in total. Thus, we request Staff to reconsider this provision to be removed.

We appreciate your consideration and thoughtful feedback to address our concerns. We look forward to contributing to California's goal of zero-emissions transportation.

Sincerely,

Takashi Ogi
Chairperson,
Japan Hydrogen Forum

