Andrew Cullen
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February 12, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on Proposed Low Carbon Fuel Standard Amendments

Dear California Air Resources Board:

Thank you for the opportunity to provide comments on the California Air Resources Board (CARB) Proposed Low Carbon Fuel Standard (LCFS) Amendments. Penske Truck Leasing Co., L.P. ("Penske") is a nationwide leader in low-emission transportation with a company-wide commitment to a comprehensive transition to zero-emission vehicles (ZEVs). We share CARB's greenhouse gas reduction goals and federal air quality objectives; therefore, we are excited to offer our expertise and insights into these proposed amendments.

Fundamentally, Penske is committed to zero-emission transportation technology, a commitment reflected by our significant investments over the last five years in numerous medium- and heavy-duty (MHD) electrification demonstration and deployment projects. As a rental and leasing company, Penske plays a unique role in accelerating the greater adoption of zero-emission vehicles by enabling fleets to test, iterate, and ultimately adopt ZEVs. Penske understands the necessity of collaboration for success, having worked closely with agencies such as CARB, the California Energy Commission (CEC), national utilities, major vehicle manufacturers, charging infrastructure manufacturers and developers, battery providers, and customers in the deployment and operation of new battery-electric transportation services across the entire supply chain.

We believe there are very few, if any, large transportation providers doing more than Penske to advance zero-emission and infrastructure technology. Penske currently operates one of the largest commercial fleets of MHD ZEVs and offroad ZEVs in the United States; our fleet includes battery electric powered trucks and offroad equipment from multiple OEMs, including Freightliner, Volvo, Navistar, Ford, Roush, Kalmar, Orange EV, and many others. These ZEVs operate on a nationally growing network of electric vehicle (EV) charging infrastructure. In addition to our current sites, we are actively working to equip our owned sites throughout the country with charging equipment that will allow us to comprehensively advance our shared zero-emission goals.

Penske's ever-expanding familiarity with ZEVs, coupled with our comprehensive and incomparable understanding of charging infrastructure and real-world commercial fleet applications, uniquely positions us to be a resource for CARB. Our front-line experience on the availability, use, and application of ZEVs allows us to serve as a partner in CARB efforts to amend the LCFS regulations.

On behalf of the entire Penske team, we want to thank CARB and your staff for the time to hear our comments, insights, and concerns while advancing effective regulations and programs that both address real-world concerns while also achieving critical zero-emissions progress.

Recently, CARB released draft language for LCFS amendments. Based on our experience as a leader in commercial ZEVs, Penske offers the following comments for consideration as your agency amends the regulation.

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Electric Vehicle (EV) Third Party Verification

Penske is supportive of the need for validated, auditable LCFS pathways. The long-established third-party verification (3PV) requirements have allowed for the liquid and gaseous low carbon fuel markets to thrive by developing trust between producers and counterparties. The strength of the LCFS is built on consistency and transparency of the program, ensuring confidence by participants in the validity of claims made in the program. However, existing 3PV rules were written specifically for liquid and gaseous low carbon fuels. We ask that any proposed changes develop approaches that are also specific to EVs, to allow for continued growth in that critical sector.

Penske encourages CARB to reconsider proposed 3PV requirements related to electricity pathways. The existing 3PV framework will create an undue administrative burden on ZEV operators participating in the LCFS program, if implemented as written. In turn, this will slow growth in a unique sector with immense potential to propel the state towards its greenhouse gas (GHG) reduction goals. Current 3PV rules hinder participants' ability to participate in the program and invest in further electrification by burdening them with outsized administrative costs. Specifically, the proposed changes would require electric fuel supply equipment (FSE) owners to verify quarterly an annual data through third party verifiers, site visits, and other requirements originally designed with large volume fuel production facilities in mind. Fleets, the LCFS program, and the state of California will all benefit by addressing 3PV for electricity in a manner that is tailored to the practicalities of the EV market. Without a structure that either aligns with existing documentation or considers the expense associated with a facility-based 3PV approach, CARB risks decreased EV participation in the program.

To ease this burden, this rule change could be an opportunity to synchronize with existing and planned audit and reporting structures for fleet electrification. For example, the CEC is currently developing Proposed Regulations for Electric Vehicle Charger Inventory, Utilization, and Reliability Reporting. A recent workshop walked through the CEC's draft proposal to require select operators of EV charging stations to report the number, utilization, and reliability of charging stations to the CEC. Validated, reliable charging data under one California regulation, alongside validated utility data that is regulated by the California Public Utilities Commission (CPUC), could serve as an important and streamlined mechanism for verifiable LCFS EV reporting. Similarly, as CARB determines how to implement Senate Bill 253 (California Climate Corporate Data Accountability Act) protocols should align and be streamlined to support holistic GHG reporting and LCFS accounting requirements. By aligning LCFS 3PV with existing and planned audit and reporting structures, CARB can help ensure EV participation in the LCFS program.

With regard to specific requirements in the proposed verification structure, a streamlined process is recommended for electric FSE that report only under Lookup Table pathways. In this case, verification could be limited to:

1) Confirmation that the FSE are operational through review of completed building permits, utility permission to operate, or site photographs. This would eliminate the need for costly site visits while providing verification that FSE has been installed.
2) Verification of charging data through review of charge session data in a charger management portal and/or review of the associated utility meter data. This would allow for confirmation of the accuracy of the reported data (charging energy).
3) Sites that generate 6,000 credits per year or more. Proposed rules would allow for deferral of initial verification requirements for two years but would not eliminate these requirements or reduce the frequency of the verification requirement. Alternatively, CARB could set a lower threshold for exemption from verification requirements, recognizing that per-site verification costs could easily exceed $10,000 per year. At current LCFS credit prices, these verification costs would represent an additional administrative cost of

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ten percent or more for sites generating less than 2,000 credits per year. Establishing this lower threshold for exemption and allowing for reduced frequency of reporting for sites falling under the 6,000 credit threshold would balance administrative costs with verification.

Zero Emission Vehicle (ZEV) Infrastructure Crediting

Penske is supportive of expanded eligibility for ZEV infrastructure crediting, which allows for increased public and private investment in low carbon fuels. Given the high cost of EV charging equipment, installation, and vehicle investment, infrastructure funding support is essential to keep the program on track toward GHG reduction goals. We encourage CARB to continue supporting incentives which expand the availability of low carbon transportation charging options for fleets across the state. In developing these incentives, we especially encourage CARB to consider the unique needs and access points of the MHD ZEV sector.

Presently, even with existing rebates and incentive programs, the pathways for MHD fleets and operators to access ZEVs are difficult, especially for smaller fleets. Many small businesses do not have the capacity to take advantage of incentive programs or the capital to invest in new refueling infrastructure. Further, a transition to ZEVs requires a fundamental shift in business operations, as businesses must consider new challenges, such as including charging time in operation schedules, ensuring charging is accessible enroute, and solving for the inherent inconsistencies associated with emerging technologies. By aligning infrastructure, vehicles, and maintenance into a publicly available package without significant upfront costs, short-term rental and leasing offer a critical avenue for small businesses to affordably incorporate ZEVs into business operations. Thus, as CARB continues to support incentives to expand low carbon transportation charging options, we encourage CARB to recognize the unique needs of the MHD ZEV sector. Specifically, we encourage CARB to consider supporting infrastructure serving multiple fleets through publicly available rental and lease offerings as publicly accessible infrastructure, a practice that aligns with other funding agencies. In doing so, we believe the LCFS can more comprehensively be a major force of change incentivizing the essential transition to low carbon options.

Changes to Forklift Reporting Criteria

Forklifts have been an important participant in the LCFS and continue to provide valuable GHG reductions for California. By ending the estimation methodology reporting technique, CARB improves the accuracy of credit generation, but creates an additional cost burden to install “direct metering” equipment at existing participants facilities. The cost of this additional metering equipment may decrease participation in the program and eliminate a revenue source that was part of the fleet’s procurement plan. It is understood that better quantification methods are necessary for forklifts, and we propose an intermediary step be taken to allow for a transition period of three (3) years to phase out the use of the estimation methodology for already registered FSE, rather than requiring an immediate transition. Such an intermediary measure would allow for continued recognition of emissions reductions from EV forklifts that were procured and registered under the current program requirements. We further propose that any changes to forklift reporting criteria be aligned with CARB’s proposed Zero-Emission Forklift Regulation, allowing companies to onboard new ZEVs and infrastructure that could also meet the goals of the LCFS quantification on the same timeline. The proposed Zero-Emission Forklift Regulation has scheduled phaseouts of MY 2025 forklifts beginning in 2028, aligning with the suggested transition period of three (3) years. This would allow fleets the ability to support LCFS goals while strategically preparing for the Zero-Emission Forklift Regulation in a way that causes minimal disruption to operations and maximizes adoption and emissions reductions.

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Conclusion

Penske is appreciative of the opportunity to comment on CARB's proposed LCFS amendments. CARB's GHG reduction and zero-emission goals deeply resonate and align with our own, and we hope we can be a source of value as these programs and regulations are adopted. Our experience underscores the challenges and opportunities inherent in the transition to ZEVs, and we hope to continue partnering with agencies to streamline requirements and goals across multiple programs to better support this critical technology.

We believe zero-emission rentals and leasing enable more rapid rollouts of ZEVs via lower-risk leasing, maintenance, outsourcing, and charging efforts. These market--leading efforts will also help define and refine secondary market pathways, residual value calculations, and long- term maintenance planning. We share CARB's goals of lower GHGs and emissions and hope our experiences provide insight into more effective LCFS revisions. Thank you for this opportunity to comment on the proposed regulation amendments. We look forward to engaging CARB on the issues raised herein.

Sincerely,

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