PACIFIC MERCHANT SHIPPING ASSOCIATION

February 20, 2024

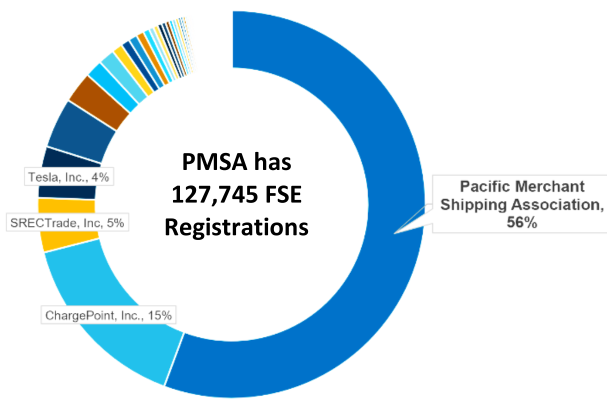
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically to: https://ww2.arb.ca.gov/lispub/comm/bclist.php

Comments Re: Proposed Low Carbon Fuel Standard Amendments (December 19, 2023)

On behalf of the members of the Pacific Merchant Shipping Association (PMSA), thank you for the opportunity to provide comments on the proposed Low Carbon Fuel Standard (LCFS) Program amendments. PMSA represents ocean carriers and marine terminal operators at California's public ports. In this capacity, PMSA also directly participates in the LCFS program on behalf of its member companies, facilitating the implementation of credit generation resulting in the broad and comprehensive participation by the maritime industry.

PMSA registers the largest number of Fuel Supplying Equipment (FSE) in the LCFS program statewide, with over 127,000 individual registrations today. As the largest program participant, PMSA submits these comments in support of the LCFS program overall, and to facilitate the successful continued participation by the maritime sector moving forward.



PMSA holds the most FSE registrations in California, at approximately 56%. As this graphic is based on Q1 2022 data, being the latest publicly available FSE registration data, PMSAs percentage has very likely grown due to continual eTRU registrations. PMSA may register 3,000 – 5,000 new FSEs *every quarter*.

As the single largest program FSE registerer, PMSA supports and welcomes raising the carbon intensity (CI) targets and benchmark proposed, and we further support "auto-acceleration" to stabilize the credit market in the event of rapid decarbonization. However, we are gravely concerned with the wholly unnecessary, wasteful, and counter-productive proposed third-party verification for eCHE, eOGV, and eTRU transactions. These unnecessary additions to the overhead cost of LCFS program participation will unduly impact the maritime sector, reduce the monetary benefit of participation in the LCFS program and undermine the intent of the LCFS program itself. PMSA does notsupport this proposal and urges CARB not to place new overhead and administrative costs on its own successful program participants where no current program deficiencies have been identified.

Third-party Verification for eCHE, eOGV and eTRUs is Unnecessary and Diminishes Monetary Benefits

PMSA strongly urges deletion of the additional proposed third-party verification requirements for eTRU, eCHE, and eOGV activities at items 2 through 4 of Section 95500(c)(1)(E). No clear and compelling justification exists for expanding third-party verification requirements to certain categories, including eCHE, eOGV, and eTRU, for Quarterly Fuel Transactions Reports (QFTR) (Section 95500(c)(1)(E)). To the contrary, the proposed expansion of third-party verification requirements will increase the costs of participating in the LCFS program, thereby diminishing the benefits of such a program, without meaningfully improving the quality of the data gathered. The eTRU, eCHE, and eOGV category third-party verification proposal specifically impacts the maritime sector, unjustly targeting the one sector that generates the single greatest source of credits, and which has an unblemished multi-year track record, as PMSA has complied and successfully participated in the program since its inception.

In most instances, PMSA utilizes reliable meter readings for equipment on dedicated circuits provided by the utility. In the few instances where utility meter data is not available, PMSA collects power consumption data directly from on-board telematic systems. All data collected over the course of the program is always available, and always has been available for CARB audit review upon request, at PMSA's expense. Third-party verification of these data sources upfront would not improve the existing high level of data quality or unparalleled availability of original data CARB staff on demand. As PMSA already utilizes the most accurate and reliable data sources for reporting electrical usage available, *third-party verification is simply unnecessary for eCHE, eOGV, and eTRU transactions.*

Further, unlike eCHE and eOGV, eTRU equipment are not based at only one specific facility and must be individually registered for each usage every quarter. The LCFS regulation requires a new registration with a unique identifier based on the location. *PMSA can register 3,000 – 5,000 new FSE every quarter*. Due to this mobile nature and the immense quantity of eTRU activity and ongoing FSE registrations, third-party verification is not even possible for eTRU equipment, especially for third-party verification site visits.

As relayed previously, we are unaware of any specific data reliability or audit issues that exist with the current program. CARB staff have not identified any deficiencies which require changes to the program in order to be remedied. PMSA welcomes a discussion of those issues should they arise. In such an instance, we would expect CARB to facilitate a conversation about any existing concerns and how to effectively remedy those problems with our participating member companies and our consulting team and to specifically iron out those issues ahead of any significant programmatic changes. PMSA is also always ready to pro-actively organize a specific tour or demonstration at any time for CARB staff at a marine terminal in order to demonstrate the industry's reliable data collection methods should CARB staff find a theoretical weakness that should be explored, but which is currently unidentified.

As the single largest LCFS program FSE, the maritime industry remains transparent in its desire and eagerness to grow and expand its participation in the LCFS program. Unfortunately, the third-party verification proposal does nothing beyond only increasing the administrative burden and costs of participants. As far as we can ascertain, this proposal would only benefit the accredited verifiers who would be exercising the verification effort.

No real rationale is offered as justification in Appendix E ("Purpose and Rationale of Proposed Amendments for the Low Carbon Fuel Standard Requirements"). As no real deficiency is identified with respect to existing eTRU, eCHE, and eOGV activities, which are not currently subject to third-party verification, no justification is asserted for the claim that CARB must ensure "…electricity and hydrogen associated transaction types are held to the same standard of data quality through third-party verification." (Appendix E, page 117).

Electricity as a whole only accounted for approximately one quarter of the total 2022 annual credits. While it is claimed that "data assurance needs" for these sources cannot be met with the staffing capacity of CARB (Appendix E, page 117), as noted, there is no current program defect compelling third-party verification for all transaction types. Moreover, any additional burden estimated by CARB staff based on future potential data needs are counter-intuitive; in fact, if electricity and hydrogen transactions do continue to grow, the administrative burden would actually *decrease* for CARB. Any increased burden would only exist by CARB's own making: by amending Section 95500(c)(1) to include the fuel transaction types in question. And, as a result, both the state and regulated, participating community would find their administrative costs increased.

No Clear Estimate of Total Third-Party Verification Expenses for Aggregated Participants is Provided, Whilst the Outstanding New Liabilities Might Be Extraordinary

Given the lack of specifics, CARB cannot reliably calculate the total cost and expense of third-party verification, but all parties acknowledge that it is certainly significant. Even though it is currently impossible to calculate third-party verification service expenses because of the many questions which remain as to what CARB would actually require for electrical transactional verifications, the costs to an FSE aggregator such as PMSA could be staggeringly high relative to the value of the credits generated.

As PMSA works on behalf of its member companies to administer and aggregate credit generation at multiple facilities and locations in California, these many unknown variations in site visits could significantly alter expenses incurred. For example, is a physical site visit to every location where a charger is installed to be required? Or, is a site visit to the company or administrator headquarters sufficient? Given the number of participating PMSA members and locations, the total cost per annual visit has been estimated at $100,000 - $150,000, not including plan preparation, review and other administration services required for verification. A $150,000 expense per year and/or per visit, is not insignificant and may render the LCFS program impractical for PMSA or specific members, undermining the LCFS program's effectiveness. These funds, which would otherwise be utilized for expanding electrical capacity and purchasing zero-emissions equipment and infrastructure, would now either be eaten up as overhead costs, or result in foregone participation altogether. In practical terms, this $150,000 could instead fund approximately six heavy-duty eCHE chargers at the ports, directly championing the state's, port's, and maritime industry's goal of 100% zero-emission cargo handling operations.

Eligibility for less intensive verifications for the electrical transactions in question is proposed per Section 95500(h); however, questions remain on what the "less intensive verification services" entail for the following two annual verifications. If site visits are still to be required, the expenses would not be reduced, regardless of "intensity." While in some instances it might be reasonable to require one initial site visit to the company or administrator headquarters for the first annual electrical transaction verification, even in such a scenario no subsequent site visits should be necessary. FSE data will remain always available as needed, based on operations and the data collection mechanism utilized. Site visits should not be required for any data collected via the utility meter or directly from on-board telematic systems.

Electrical Transaction Third-party Verifications Would be Challenging Timing Wise and May Result in a Barrier to Credit Generation Altogether

PMSA also has concerns regarding the timing and the frequency of reviews, as they may restrict access to credit generation. In many instances, utility data is made available with very limited time remaining prior to required submittal timelines to CARB. If third-party additional reviews are to be required, there may very well be insufficient time for a third-party to complete their review and verification to meet the deadlines for LCFS credit generation in a specific quarter. Third-party verification for eCHE, eOGV, and eTRU transactions may cause Annual and Fuel Transaction Reporting delays, thereby threatening credit generation and associated proceeds, further undermining the intent of the LCFS program.

While we understand the CARB intends these changes to increase accountability and transparency in these transactions, they must be balanced against the overall health and effectiveness of the LCFS credit market. The participants in the current program have demonstrated exceptional transparency and high participation rates, even during periods of very low prices for credit generation. These changes which threaten that stability, high levels of participation, and access to the credit market should be studiously avoided.

We appreciate the opportunity to provide comments regarding the LCFS amendments. PMSA strongly urges CARB to reject the proposed third-party verification requirements for eTRU, eCHE, and eOGV transactions. We welcome facilitating an ongoing conversation on how to effectively remedy any perceived issues as it relates to electric equipment activity by our members. Please feel free to reach out to us by email (jmmoore@pmsaship.com) should you have any questions.

Sincerely,

Jacqueline M. Moore

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Vice President

Cc:
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