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California Air Resources Board
1001 I St.
Sacramento, CA 95814

RE: 3Degrees Comments in Response to December 2021 Public Workshop on Potential Future Changes to the LCFS Program

Dear Air Resources Board Staff,

Thank you for the opportunity to provide comments in response to the December 2021 Low Carbon Fuel Standard ("LCFS") public workshop on potential regulation amendments. 3Degrees Group Inc. ("3Degrees") is a strong supporter of the LCFS program. We participate in the program as a designated reporting entity on behalf of a variety of opt-in parties with light-duty electric vehicle (EV) chargers, electric forklifts, hydrogen forklifts, and heavy-duty EV fleets. We are also an active fuel pathway developer.

Below we have summarized 3Degrees' recommended topics for the forthcoming LCFS rulemaking. These comments include priorities outlined in our November 2020 comments, as well as several additional topics of interest. We have organized our comments in line with the slide numbers from the December 2021 workshop.

Slide 14: Accelerate Transition to ZEVs

3Degrees supports Staff establishing EER values for emerging zero emission fuel-vehicle combinations. Specifically, we recommend that Staff establish EER values for CNG and Propane forklifts, as well as for electric airport ground support equipment (eGSE) so as to further incentivize airports to transition to electric options. For eGSE, we recommend making the fuel supply equipment owner the first fuel reporting entity.

Slide 15: Reflect Changes in Technology and Data

Tier 1 Simplified Calculators

3Degrees recommends that staff create a Tier 1 simplified calculator for electricity from dairy/swine manure. We appreciate the guidance document that Staff has developed to support this pathway and a Tier 1 simplified calculator would further benefit Staff and LCFS opt-in entities.

3Degrees recommends that if Staff moves forward with a Tier 1 simplified calculator for hydrogen pathways it does not eliminate the ability to use Lookup Table pathways. Hydrogen procured from similar feedstocks and via similar production processes should not necessitate a new pathway application process. Further, moving all hydrogen pathways to a Tier 1 simplified calculator and removing Lookup Table options would require obtaining data from individual hydrogen producers, which can be challenging and could result in disincentivizing hydrogen use as a transportation fuel within the LCFS program. 3Degrees also suggests that Staff consider issuing standard guidance for minor edits to Lookup Table assumptions (such as changing the hydrogen transport distance assumptions) so that these edits can lead to certified pathways without requiring Tier 1 or Tier 2 efforts.

Slides 16 and 17: Streamline Implementation and Enhance Exportability

Third-Party Verification For Additional Reporting Entities
If an entity generates very few credits, verification requirements could lead to a decision to no longer participate in the program. We recommend that Staff consider introducing a materiality threshold or the option for aggregated verification on behalf of multiple entities when proposing verification requirements for additional reporting entities. Further, we would recommend that any verification occur at the pathway level rather than the site level.

Any requirements that Staff chooses to put forward for electricity transactions should take into consideration the verification that already occurs in the electricity sector, including the data quality requirements for all RECs issued in WREGIS.

First Fuel Reporting Entity for eOGV, eCHE, eTRU, and eForklifts
3Degrees recommend that the first fuel reporting entity for these vehicles be the entity that owns the charging equipment. In particular, 3Degrees believes this will be a benefit for eForklift fleets.

In line with ARB's assessment from 2020, making the charging equipment owner the first fuel reporting entity for forklifts will eliminate any uncertainty that may currently exist around who is the eligible fuel reporting entity and will therefore avoid the risk of multiple claims being made on the same charging. We have experienced situations where a lack of clarity on the "fleet owner" for eForklifts has led to delays in registering the vehicles to generate LCFS credits--a situation that we agree would be much less likely to arise if the charging equipment owner is the first fuel reporting entity.

If it moves forward with this revision, ARB should clarify how it will manage the transition from the current reporting structure to one that revolves around the charging equipment owner. Such a transition should be structured so as to minimize the potential for interruption in credit generation. One approach would be for the facilities that are currently registered to remain registered and be given one calendar year (January 1, 2023 to December 31, 2023) to report to ARB the number of chargers for which it will be reporting going forward. During the interim transition period, either approach would be acceptable for reporting, but all new registrations after January 1, 2023 would need to be for chargers and starting January 1, 2024 all reporting must be done at the charger level.

Designated Reporting Entities
3Degrees requests that Staff clarify and align details around designated reporting entities ("DRE") across credit generation opportunities. The flexibility to designate a third-party to report and generate credits on their behalf should be extended to all credit generation opportunities, including credit generation via FCI and HRI provisions. The entity with the first right to credits is meant to align with who is closest to the decision-making related to supplying low-carbon transportation fuels. These eligible credit generators are able to designate another entity to generate credits on their behalf in order to be able to benefit from the program even if they do

not have the resources to manage program participation themselves or might not otherwise be able to participate directly. DRE designation is particularly beneficial for smaller entities, including entities providing smaller volumes of credit-generating fuels.

Specifically, we have experience with DCFC owners who have had challenges participating in the program due to the inability to designate a reporting entity. It is unclear why, under current rules, the owner of non-residential charging equipment can designate a third-party to generate credits if it is generating credits for non-residential EV charging, but not to generate credits under the FCI provisions of the regulation. This dynamic means that a DCFC owner generating FCI credits cannot benefit from a designated reporting entity to support credit generation for EV charging nor with lowering the CI of that electricity. A DCFC owner choosing to use a 0-CI pathway for EV charging would need to additionally manage an AFP account, a WREGIS account, and the application for the 0-CI pathway, as well as quarterly REC procurement and retirement in accordance with LCFS rules and regulations. This disadvantages DCFC owners and discourages full participation in the program, particularly for smaller or earlier-stage companies.

Across credit generation opportunities, 3Degrees recommends that ARB clarify that the credit generator is able to designate a DRE, and that this DRE inherits the priority and any other preferential treatment of the designator, e.g. allowing a DRE to assume first priority in generating incremental credits when designated by an LSE.

Fuel Supply Equipment Registration

3Degrees supports ARB putting in place a concrete date for when FSE registration must occur. However, we request that ARB establish the deadline for submitting FSE registration at 45 days after the end of the calendar quarter to be considered for approval and made available for that quarter's reporting period. For example, an FSE registration must be submitted by May 15 to be considered for approval for reporting Q1 fuels transactions. This deadline aligns with staff's current guidance on the review and approval process for FSE registration.

3Degrees supports clarification of FSE registration requirements. We appreciate the creation of Guidance Document 19-04 and recommend providing additional clarification on certain topics related to eOGVs, eTRUs, and eForklifts.

- For eOGVs, we recommend providing additional guidance clarifying which piece of equipment is the FSE (a dock, a charger, or a meter) and how to assign unique identifiers to the defined FSE.
- For eTRUs, we recommend providing additional guidance on how to register eTRUs that charge at multiple locations.
- For eForklifts, we recommend providing additional guidance on the following topics: (1) how to assign serial numbers to FSE when the FSE is a facility; (2) how to list EV-FSE manufacturers at facilities that contain multiple manufacturers; and (3) the process for notifying ARB if a forklift list changes at a facility.

RNG Attribute Tracking System

3Degrees is supportive of ARB exploring the use of an RNG attributes electronic tracking system. The market for RNG in the US is growing and we expect this to continue. A number of states are exploring LCFS policies and/or policies to support RNG in other sectors, and a voluntary market is developing as well. Tracking systems provide benefits regarding preventing double-counting and ease of administration, particularly as RNG is increasingly being used in markets outside of transportation.

3Degrees appreciates this opportunity to provide feedback and we look forward to continuing to work with ARB on the success of the LCFS program. Please reach out with any questions or for further discussion.

Sincerely,

/s/ Maya Kelty

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