Clean Transportation Technologies and Solutions

www.calstart.org

February 20, 2024

California Air Resources Board
1001 I Street
Sacramento, CA 95814

SUBJECT: SUPPORT Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Chair Randolph and Honorable Board Members,

CALSTART appreciates the opportunity to submit comments on the proposed amendments to the Low Carbon Fuel Standard (LCFS) program. Since its initial implementation in 2011, the LCFS program has allowed California to decrease carbon in the state's fuel pool and accelerated new technology and alternatives to petroleum fuel. The program has also served as a valuable incentive program in helping bring new companies and their ideas for zero-emission fuels and technology into the state's fuel market.

<u>CALSTART and our Origins</u>

CALSTART, headquartered in California, is a globally renowned 501(c)3 nonprofit organization dedicated to the advancement of zero emission vehicle and infrastructure technology. With a global member consortium of more than 300 technology, government, industry, and community partners, CALSTART has worked for 30+ years to accelerate the commercialization and deployment of advanced technologies and solutions. Through policy development, incentive program administration, and first-of-its-kind deployment partnerships, CALSTART has designed and managed programs that drive the market for clean transportation technologies needed to achieve critical greenhouse gas and criteria pollutant emission reduction goals.

<u>Comments on the Proposed Amendments to the Low Carbon Fuel Standard</u>

In July of 2022, Governor Newsom wrote a letter to California Air Resources Board (CARB) Chair Randolph[1] pushing for "greater opportunities to reduce our dependence on fossil fuels to achieve our air quality and climate targets," and continue the diversification of fuels away from petroleum in the transportation sector. Part of his ask was to evaluate and consider an increase in the stringency of the LCFS. Shortly thereafter the CARB Board approved the 2022 update to the Scoping Plan including increasing the stringency of the 2030 greenhouse gas (GHG) reduction target to 48 percent below 1990 emissions and putting the state on track to achieve carbon neutrality by 2045, or earlier. CALSTART strongly supports CARB's efforts to increase its ambition to deliver needed GHG reductions to help stave off the most serious impacts of climate change—impacts that disproportionately harm our most vulnerable populations.

Increased Stringency

To that end, CALSTART believes there are opportunities to improve the proposed amendments to deliver additional greenhouse gas emissions reductions. There are two key adjustments that CARB can make to the stringency as part of the 15-day change process. Specifically, by increasing the step-down and pulling forward the effective date for triggering the Auto Acceleration Mechanism (AAM) CARB can deliver additional reductions in GHG emissions. These reductions will be lost with the current proposal and by doing so will send a clear, and supportive market signal to continue investments in clean fuels.

The proposed 5% step-down in stringency does not go far enough considering the size of the cumulative credit bank, which is anticipated to increase its rate of growth as new clean fuels come to market. CALSTART strongly encourages the step-down must be increased by ***at least*** seven percent (7%), translating into a 2030 target of at least thirty-two percent (32%) reduction in the carbon intensity (CI) relative to the 2010 baseline. While a 7% step-down will likely leave many credits in the cumulative credit bank, this single adjustment will translate into millions of additional tons of greenhouse gas emission reductions and strengthen the market in the process.

As designed, the first year that the AAM could impact program stringency is 2028---which is far too long in the event the cumulative bank continues to grow. The concept and need for the AAM is to respond to clear overperformance of the program and to send an unambiguous signal to investors that the program will respond to opportunities to deliver additional GHG reductions. The AAM should be based on 2025 data with the trigger assessment occurring in May 2026, and the AAM being applied in 2027 providing the applicable conditions are met, thus increasing program stringency for 2027. Relying on 2025 as the first eligible year for triggering the AAM is appropriate as one of the main objectives of the step-down is to bring the program into balance. Therefore, assessing the impact of the step-down on the market based on 2025 data, including the cumulative bank and the rate of credit to deficit generation, is aligned with the principles of the program. With this approach, the AAM could potentially increase the stringency of the program in 2027 and 2029 (i.e., triggered twice prior to 2030), better ensuring that potential emission reductions are not left on the table in the event the program continues to overperform following the Board's adoption of the amendments. Furthermore, it is important to note that the 3:1 ratio (i.e., cumulative bank/average quarterly deficits) proposed by staff that would trigger the AAM is likely inadequate. For example, in 2022, a year where there is consensus that the LCFS was overperforming, the AAM would not have been triggered using CARB's current proposal.

Support Full Range of Medium/Heavy Duty Zero Emission Transportation

CALSTART strongly supports staff's proposal to change the Clean Fuel Reward program from a focus on new light-duty EV rebate, to rebates for new and used medium- and heavy-duty zero emission trucks that are exempted from the Advanced Clean Fleets regulation. CALSTART believes this will be hugely impactful in transitioning currently unregulated fleets. Additionally, CALSTART is appreciative of the proposal to expand ZEV infrastructure crediting to the medium- and heavy-duty sector to support ZEV infrastructure needed for medium- and heavy-duty ZEVs. However, there are areas where CALSTART believes the regulation needs additional consideration and modification. CALSTART recommends that CARB create parity between how the Fast-Charging Infrastructure and Hydrogen Refueling Infrastructure credits are treated under the program. The proposed regulation gives preferential treatment to hydrogen stations over electric vehicle charging stations when assigning the CI for capacity credits. We encourage CARB to harmonize hydrogen refueling and EV charging. Additionally, CALSTART recommends that the geographic restrictions be modified. ZEV charging behavior does not necessarily mirror conventional fueling, nor that of light duty charging infrastructure. Specifically, MHD ZEV charging can be located where vehicles are domiciled and used, which may not be within one mile of a highway corridor. While the current proposal will support regional and long-haul trucks by incentivizing infrastructure along freight corridors, CALSTART believes the LCFS should support the full range of truck vocations, including drayage and short haul.

Conclusion

The LCFS program continues to be one of the best drivers for reduction of carbon in fuel and opportunities to incentivize and promote investments in cleaner fuel and zero-emission infrastructure. It is a necessary program to ensure the reduction of carbon intensity in the transportation sector while adoption of ZEV is accelerated. The basis of the program should be adopted by other states in the country, and CALSTART will continue to push for multi-state adoptions based on California's LCFS program's successes.

Thank you for your time and consideration. Please feel free to reach out if there are any comments or questions.

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