

February 20, 2024

California Air Resources Board  
1001 I Street  
Sacramento, CA 95815

## RE: Proposed Low Carbon Fuel Standard Amendments

Dear California Air Resources Board Members and Staff:

Thank you for the opportunity to provide comments and recommendations to the California Air Resources Board (CARB) on its proposed Low Carbon Fuel Standard (LCFS) Amendments. We recognize the significant undertaking of initiating revisions to a program with diverse stakeholders and critical importance to the State's ability to meet its zero-emissions transportation goals and regulatory deadlines, and commend CARB staff on their thoughtful and deliberative process since initiating this rulemaking.

Headquartered in San Francisco, CA, Prologis, is the global leader in logistics real estate, with a portfolio of over 1.2 billion square feet across four continents and approximately 2.8% of global GDP flowing through our properties each year. Prologis leases modern warehousing and distribution facilities to customers, which include manufacturers, retailers, transportation companies, third-party logistics providers, and other enterprises. Our large, flat rooftops have enabled us to build out commercial solar installations to serve onsite and offsite load with clean energy and battery storage, helping our customers reduce their emissions and placing us second in the U.S. for corporate on-site solar.

Prologis' Mobility business is helping transform the fleet and logistics industry and enabling our customers to transition to zero-emissions through industry-leading electric vehicle (EV) charging technology and solutions. With roughly 180 million square feet of industrial real estate across our California portfolio, the opportunity for us to help our customers with this transition is significant, and we are developing dedicated charging infrastructure at Prologis sites to support their medium- and heavy-duty (MHD) fleets across last mile, drayage, and other applications. In addition to providing charging solutions at our own properties, we offer electrification services at non-Prologis buildings and are developing multi-fleet charging hubs serving areas with dense concentrations of warehouses.

Prologis echoes the comments submitted by the Joint MHD EV Infrastructure Parties focused on the proposed amendments to the LCFS as they focus on MHD-FCI Shared charging sites or "hubs," of which we are a signatory. We believe that ensuring concurrent growth of both hub and MHD-FCI Private on-site "depot" models for fleet charging in California is integral to the successful electrification of the goods movement sector, and welcome the opportunity to submit Prologis' additional recommendations.

### **Remove the §95486.3(b)(3)(A)(2) 0.5% criterion to avoid unintended consequence of penalizing individual fleets for having common service providers and avoid creating conflicts with the regulatory framework of the South Coast Air Quality Management District's (SCAQMD) Indirect Source Rule (ISR).**

Section §95486.3(b)(3)(A)(2) states *"If estimated potential MHD-FCI credits from an individual applicant's approved stations exceed 0.5 percent of deficits in the most recent quarter for which data is available, the Executive Officer will not approve additional MHD-FCI pathways or accept additional applications from*

*that applicant until the applicant's estimated potential MHD-HRI credits are less than 0.5 percent of deficits."*

An individual applicant can be providing charging services at more than one private charging site for private fleets unrelated to each other, as is the case for Prologis and other industrial property owners that are investing in charging infrastructure on-site to serve their tenants' fleets. For example, Prologis leases warehousing and distribution space to a diverse customer base of 6,700 businesses across our global portfolio. In California alone, Prologis owns more than 900 buildings where, from one site to the other, different fleet operators lease real estate and assets, including charging infrastructure. It would not be fair to penalize one private fleet because of their association with other unrelated fleets through a common service provider. This creates an impediment for warehouse operators implementing mitigation measures in line with the ISR's requirements, such as EV fleet adoption and on-site charging infrastructure deployment, as well as fleet conversion towards Advanced Clean Fleets (ACF) deadlines.

### **Remove the Section §95486.3(b)(3)(A)(3) 1% criterion to avoid an unintended consequence of penalizing individual fleets for maximizing competitiveness and compliance efficiencies by charging their fleets at their natural domicile locations.**

*Section §95486.3(b)(3)(A)(3) states "If estimated potential MHD-FCI credits from approved private MHD-FCI stations exceed 1 percent of deficits in the most recent quarter for which data is available, the Executive Officer will not approve additional private MHD-FCI pathways and will not accept additional applications for private MHD-FCI stations until private MHD-FCI stations' estimated potential MHD-HRI credits are less than 1 percent of deficits."*

Having different rules for Private vs. Shared will create operational and potentially SCAQMD ISR compliance inefficiencies for our customers who need to electrify at their "home" fleet domicile location.

### **Grant equitable access to book-and-claim accounting for EV charging microgrids.**

*Section §95488.8(i)(2)(A) states "RNG injected into the common carrier pipeline in North America (and thus comingled with fossil natural gas) can be reported as dispensed as bio-CNG, bio-LNG, or bio-L-CNG, or as an input to hydrogen production, without regards to physical traceability."*

MHD charging projects are in a difficult position: they are extremely capacity and energy intensive, second only to data centers in light-industrial real estate,<sup>1</sup> making them time-consuming to connect to the grid, yet they require accelerated schedules to meet fleet electrification mandates and avoid stranding EV assets. Projects in this predicament look to on-site generation with energy storage as solution to meet fleet electrification objectives ahead of utility connections, with a coproduct of resiliency for critical fleet operations when the utility connection is eventually established in parallel. However, due to the exceptional energy intensity of industrial MHD charging projects on limited footprints, dispatchable power-dense on-site generation such as fuel cells or linear generators can sometimes be the only feasible technical solution remaining that can fit the available real estate and meet the energy demand.

This important EV charging pathway for biomethane (whether RNG or hydrogen in its final delivered form for on-site generation) is not only a more energy efficient pathway for biomethane, but also has

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<sup>1</sup> According to Prologis benchmarks of typical alternative uses for comparable properties

significantly lower NOx emission profile than CNG vehicle application in sensitive disadvantaged communities around ports for example<sup>2</sup>, yet only CNG vehicle fueling projects are incentivized with book-and-claim LCFS accounting from RNG energy sources.

As Prologis has recommended in prior comment letters, CARB should grant equitable access to biomethane book-and-claim LCFS accounting for MHD EV charging projects investing in on-site RNG/hydrogen generation that add resiliency and accelerate around transmission and distribution upgrade delays. We ask that CARB consider amending 95488.8(g)(1)(A)(2) to read as follows:

*“Biomethane supplied using book-and-claim accounting pursuant to section 95488.8(i)(2) and is claimed as feedstock in pathways for bio-CNG, bio-LNG, bio-L-CNG, hydrogen via steam methane reformation, and electricity generation for co-located EV charging;”*

Further, we suggest a revision of Section §95488.8(i)(2) to explicitly state:

*“(2) Book-and-Claim Accounting for Pipeline-Injected Biomethane Used as a Transportation Fuel or to Produce Hydrogen **or to generate Electricity**. Indirect accounting may be used for RNG used as a transportation fuel or to produce hydrogen **or to generate Electricity** for transportation purposes (including hydrogen that is used **either** in the production of a transportation fuel **or in the generation of electricity for transportation purposes**), provided the conditions set forth below are met:*

*(A) RNG injected into the common carrier pipeline in North America (and thus comingled with fossil natural gas) can be reported as dispensed as bio-CNG, bio-LNG, or bio-L-CNG, or as an input to hydrogen production, **or as an energy source for electricity generation**, without regards to physical traceability. Entities may report natural gas as RNG within only a three-quarter time span. If a quantity of RNG (and all associated environmental attributes, including a beneficial CI) is pipeline-injected in the first calendar quarter, the quantity claimed for LCFS reporting must be matched to natural gas sold in California as RNG no later than the end of the third calendar quarter. After that period is over, any unmatched RNG quantities expire for the purpose of LCFS reporting.*

*(B) Biomethane reported under fuel pathways associated with projects that break ground after December 31, 2029, injected into the common carrier pipeline, and claimed indirectly under the LCFS program for use as bio-CNG, bio-LNG, or bio-L-CNG in CNG vehicles or as an input to hydrogen production **or as an energy source for electricity generation** for transportation purposes, must demonstrate compliance with the following requirements:*

*1. Starting January 1, 2041 for bio-CNG, bio-LNG and bio-LCNG pathways, and January 1, 2046 for biomethane used as an input to hydrogen production **or electricity generation**, the entity reporting biomethane must demonstrate that the pipeline or pipelines along the delivery path physically flow from the initial injection point toward the fuel dispensing facility at least 50 percent of the time on an annual basis. Entities may report natural gas as RNG within only a three-quarter time span. If a quantity of RNG (and all associated environmental attributes, including a beneficial CI) is pipeline-injected in the first calendar quarter, the quantity claimed for LCFS reporting must be matched to natural gas sold in California as RNG no later than the end of the third calendar*

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<sup>2</sup> 0.059 gNOx/mile for a battery electric truck supported by linear generators vs. 0.317 gNOx/mile for a CNG truck per industry SME calculations provide to Prologis

*quarter.*

*After that period is over, any unmatched RNG quantities expire for the purpose of LCFS reporting.”*

Prologis believes these recommendations will further enhance CARB’s proposed improvements to the LCFS program to align with the State’s transportation electrification goals and ensure they reflect the multiple use cases supporting logistics sector fleets, including both MHD-FCI Private and Shared charging, as well as address the realities of utility energization delays and resiliency risks for charging projects.

Thank you for considering our recommendations, and we welcome the opportunity to further discuss our views with the Board and staff. Please do not hesitate to contact me at [amoch@prologis.com](mailto:amoch@prologis.com) or 571-895-5763 for more information or to discuss our comments in further detail.

Respectfully submitted,

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