

February 20, 2024

Rajinder Sahota
Deputy Executive Officer – Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Clearing Service Provider Five-Day Rule Amendment

Xpansiv, through an affiliate, acts as an Account Administrator for Minneapolis Grain Exchange's Clearing Service Provider Account in the LCFS Program. Xpansiv is submitting these comments in its capacity as market operator for the CBL Platform, which provides a venue for participants to transact LCFS Credits.

Dear Ms. Sahota,

Xpansiv operates the market infrastructure to rapidly scale the world's energy transition. The company runs the largest spot exchange for environmental commodities, including carbon credits and renewable energy certificates. It is the premier provider of registry infrastructure for energy, power, and environmental markets and operates the largest independent platform for managing and selling solar renewable energy credits in North America.

Last year, Xpansiv partnered with the Minneapolis Grain Exchange ("MGEX"), an eligible Clearing Service Provider ("CSP") under § 95483.1(a)(3) in the LCFS Regulation, to launch the first exchange traded spot LCFS contract on the CBL Platform ("CBL"), where MGEX holds participants' LCFS credits in its LRT-CBTS account that are transacted on CBL. The contract launched in July 2023 and has been well received by the market with over 175,000 LCFS credits cleared across a diverse array of counterparties.

While the market has responded positively to the contract, Xpansiv has observed, in its role as operator of CBL, operational challenges that limit participation and create barriers to adoption. As a result, Xpansiv would like to re-submit comments encouraging the ARB to reconsider the requirement that a clearing service provider only hold LCFS credits for up to 5 days in the LRT-CBTS for spot exchanges.

Provision § 95483.1(a)(3)(B) restricts CSPs to holding LCFS credits in an LRT-CBTS account for "up to five days". We believe that an extended holding period would provide participants with an increased opportunity to leverage an exchange to market their credits. In the 2018 Final Statement of Reasons, CARB noted, in response to CBL's comments, that "five days are sufficient to facilitate a transfer" and would "minimize the time period during which credits are locked out of a credit market". As a spot exchange where buyers and sellers transact credits, CBL provides a platform where market participants can access liquidity in the market, as

opposed to getting "locked out" of it. Approved Participants log into CBL to actively market their LCFS credits. In many instances, the process of listing orders, negotiating, matching with a counterparty, settlement and delivery, takes longer than five days. The CSP account holding period not only covers "facilitation of transfer" of LCFS credits, but the entire lifecycle of a transaction. In addition, participants leverage the CBL LCFS spot contract to set and maintain active bid-ask spreads and hedge their LCFS credit positions in a transparent and efficient way. This requires LCFS credits to be held in a CSP account for longer than five days. The inability to do so has disrupted market participants' ability to make a consistent market during all trading hours, resulting in a less liquid marketplace.

We suggest amending § 95483.1(a)(3)(B) to read "A clearing service provider cannot own credits but can hold LCFS credits for up to thirty days for clearing purposes only." This maintains a reasonable time limit on credit holdings, but also gives participants flexibility in marketing LCFS credits through a spot exchange-based medium. We believe this adjustment will allow firms more flexibility to assess market conditions and utilize an open and competitive marketplace for trade execution and price discovery. This would result in a more liquid marketplace, which benefits all LCFS participants.

We appreciate the California Air Resources Board's ongoing efforts to continue to assess and improve this market-based mechanism. The proposed modification would help enhance an already successful program that is setting the standard for similar regulated low carbon fuel markets across the Americas.

Xpansiv respectfully submits these comments for consideration and thanks the California Air Resources Board for the opportunity. Please direct all follow-up questions and inquiries to policy@xpansiv.com.

Respectfully,



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