August 27, 2024

Ms. Liane M. Randolph
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: California Air Resources Board's Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph,

Iwatani Corporation of America (ICA) would like to thank the California Air Resources Board (CARB) for the opportunity to comment on the potential changes to the Low Carbon Fuel Standard (LCFS) program. ICA owns and operates a network of hydrogen refueling stations across California and is rapidly expanding to serve the fast-growing hydrogen market in California. Our expansion plans include stations that support a variety of on-road fuel cell electric vehicles in the light-duty, medium-duty, and heavy-duty sectors. Since 1941, Iwatani has regarded hydrogen as the ultimate clean energy source and has consistently engaged in initiatives to encourage its widespread use. ICA is committed to supporting the zero emissions vehicle (ZEV) market by expanding the fueling infrastructure and supplying hydrogen to both light-duty and heavy-duty vehicles. Under the corporate slogan "A world where all enjoy true comfort – this is Iwatani's desire," we strive to solve environmental concerns with the aim of achieving a carbon free society through the use of hydrogen.

<u>Annual Carbon Intensity Benchmarks</u>

ICA previously submitted comment letters on CARB's proposed LCFS amendments in February and May 2024 and encouraged CARB to increase the stringency of the CI reduction targets through 2030 which will balance the demand and supply of LCFS credits in the market and increase the LCFS credit price. ICA greatly appreciates CARB staff's decision to modify the near-term increase in stringency to a 9% CI reduction in 2025 and enable auto acceleration mechanism (AAM) as this should help restore the LCFS credit price in the near term. ICA believes that the proposed CI reduction target (i.e., 30% in 2030) may not be enough to stabilize the LCFS credit price longer term and appreciates the opportunity to revisit the CI reduction targets to ensure the proposed amendments will enable future investment in clean fuels that are required to meet CARB's goals.

ZEV Fueling Infrastructure Pathways

On August 12th, 2024, CARB published the additional modifications for the proposed amendments (15-Day Changes) in which there are some significant changes to the credits for ZEV fueling infrastructure pathways including the Hydrogen Refueling Infrastructure (HRI) pathways. While under the current LCFS regulation as well as the initial Proposed Amendments, the HRI pathway application could be received by CARB before December 31, 2025, in the Modified Proposed Amendments, CARB staff have proposed to eliminate the current HRI crediting program and new applications can only be received before the effective date of the 2024 amendments. This will have a detrimental impact on companies developing light-duty vehicle (LDV) stations, including ICA and others who have business plans to expand the network of stations for LDV sector under the CEC's GFO-22-607[1] or privately funded. This has a significant impact on the station business case for stations that have been under development for years considering the original deadline for the HRI program (December 31, 2025), and we are just informed that the HRI program will be eliminated in less than 3-4 months. The elimination of the current HRI program not only disrupts the business plans of the companies like ICA, but it also endangers the LDV hydrogen mobility market. While the Modified Proposed Amendments replaces the current HRI program with the light- and medium-duty (LMD) HRI program, the proposed LMD HRI is highly restrictive and has several limitations including shorter program length (10 years vs. 15 years), cap on the number of credits generated and the value of credits generated, and higher renewable percentage requirement (80% vs. 40%). While ICA supports the addition of MD HRI to the LCFS program, we believe that light-duty stations should remain eligible for the current LDV HRI pathway until December 31, 2025, and the de-rating of capacity for the LMD HRI should be removed to enable investments to build larger HRI which can accommodate both MDV and LDV by receiving appropriate amount of HRI credits (under the modified Proposed Amendments, CARB is requiring stations to be 40% larger while providing 20% fewer credits). We would also

[1] https://www.energy.ca.gov/solicitations/2022-10/gfo-22-607-light-duty-vehicle-and-multi-use-hydrogen-refueling-infrastructure

appreciate additional time to review and discuss the LMD HRI proposal with CARB staff to ensure the program is structured in way that maximizes successful station developments.

ICA also wants to point out that the definition of "Medium-Duty Vehicle" (MDV) in the Modified Proposed Amendments is not aligned with the common definition of MDV and ICA urges CARB to utilize the standard definition of MDV which refers to MDV as Class 3-6 (10,001 lbs – 26,000 lbs GVWR.

ICA does appreciate CARB's efforts to incentivize building stations with the appropriate capacity that can support expanded vehicle volumes over time. We also appreciate the desire to create HRI pathways that support station growth for light-duty, medium-duty, and heavy-duty vehicles. Moreover, as we stated in our previous letter submitted to CARB, the revenue from the LCFS/HRI credits plays a critical role in the economic feasibility of operating ZEV infrastructure which is why the expected long-term value of LCFS credits, and the HRI pathways are so important. The LCFS credit price has had a descending trend in the past three years and with the recent LCFS credit prices, it is very challenging to make an investment case for building and operating a hydrogen station for both light-duty and heavy-duty vehicles. The LCFS/HRI programs have been imperative to the development of ZEV infrastructure to date and will continue to be an enabler if structured effectively.

In summary, ICA deeply appreciates CARB's desire to support ZEV infrastructure expansion and for your willingness to consider comments to help all parties achieve their goals. ICA urges CARB to reconsider the sunset time for the current HRI program and allow the current HRI program to continue until December 31, 2025. Once the current HRI program ends, the LMD HRI program should start accepting new applications with no capacity factor for public stations.

Sincerely,

Hossein Tabatabaie
Director of Product Management