NATSO SIGMA

April 18, 2025

The Honorable Steven S. Cliff, Ph.D.
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, California 95814

The Honorable Liane M. Randolph
Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Proposed Low Carbon Fuel Standard Amendments; Third Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information

Dr. Cliff and Chair Randolph:

NATSO, Representing America's Travel Centers and Truckstops, and SIGMA: America's Leading Fuel Marketers (together, the "Associations") represent more than 80 percent of retail sales of motor fuel in the United States.[1] On behalf of the diverse and forward-thinking retail fuel industry, we are eager to work with the California Air Resources Board ("CARB" or the "Agency") to advance policies that lower transportation emissions in California.

The Associations strongly support several of the proposed changes made in the third iteration of 15-Day Changes (the "Third Proposed Amendments")[2] that support the development of heavy-duty ("HD") hydrogen refueling infrastructure in California.[3] Specifically, the Associations applaud the Agency for proposing to modify the HD hydrogen refueling infrastructure ("HRI") program by (i) removing the restrictions on revenue generated through credits (tied to capital expenditure); and (ii) adjusting the proposed derating factor for hydrogen refueling stations. The Associations also support allowing hydrogen produced with accompanying carbon capture and sequestration ("CCS") technology ("blue" hydrogen) to contribute to the renewable hydrogen requirements under the LCFS.

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1 NATSO currently represents approximately 5,000 travel plazas and truckstops nationwide, comprising both national chains and small, independent locations. SIGMA represents a diverse membership of approximately 260 independent chain retailers and marketers of motor fuel. The retail fuels and convenience industry provide 2.38 million jobs at approximately 120,000 retail establishments across the country.

2 "Third Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information, Proposed Low Carbon Fuel Standard Amendments", California Air Resources Board, (April 4, 2025), *available at* https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/3rd_15day_notice.pdf?utm_medium=email&utm_source=govdelivery.

3 The Associations previously filed extensive comments on the first and second iterations of 15-Day Changes proposed by the Agency in August and October 2024, respectively, and encourage CARB to continue to closely consider the fuel market implications detailed at length in those comments. *See* NATSO, SIGMA comments (August 27, 2024), *available at* https://www.arb.ca.gov/lists/com-attach/7482-lcfs2024-AmxTNFwpUnJXPgJd.pdf; *See also* NATSO, SIGMA comments (October 16, 2024), *available at* https://www.arb.ca.gov/lists/com-attach/80-lcfs2024-2nd15day-UjxVMlciACALYlQL.pdf

Many of the Associations' members – particularly those with highway locations that service heavy duty commercial trucks – are actively expanding their hydrogen capabilities in response to market- and federal policy signals. They have developed new commercial relationships with companies in the hydrogen value chain, actively participate in multiple "hydrogen hub" projects – including the ARCHES project in California – and continue to pursue hydrogen grant and incentive opportunities.

Commercial decisions to invest in heavy duty vehicles will be grounded in economics. Businesses will not purchase HD electric or hydrogen vehicles at scale unless the total cost of operation is comparable to the cost of diesel-powered trucks. The cost of hydrogen is, by far, the most impactful component of a prospective consumer's total cost of ownership. Minimizing fuel costs should therefore be an essential element of any policy intended to decarbonize heavy duty trucking, including via hydrogen as a transportation fuel. As transportation energy retailers and distributors, our membership will rely upon hydrogen producers to provide an economical supply of clean hydrogen in the years ahead.

The LCFS should *maximize* the market's ability to realize decarbonization objectives. The proposed derating factor for public HRI issued by the Agency in the second 15-Day Notice,[4] coupled with low station capacity requirements (set at 6,000 kilograms per day), would have resulted in untenable, inadequate LCFS incentives which would have failed to prompt investments in HD HRI in California.[5]

The Associations strongly support the changes made to the capacity factor (and, accordingly, the derating factor) in the Third Proposed Amendments. Specifically, our members support a derating factor of 37.5 percent as proposed (62.5 percent capacity factor), which will help to partially remediate the capital risk taken by HD hydrogen station developers and encourage investment. If adopted, these changes will improve the business case for HD HRI investments in California and will help to support the hydrogen capacity necessary to achieve the Agency's HD decarbonization objectives.

The Associations also strongly support eliminating the restrictions on HRI revenue generation, which were previously capped at 1.5 times capital expenditures ("capex"). The revenue restriction and derating factor are intended to serve identical purposes, but when combined, would have imposed considerable, unnecessary investment risk onto developers. <u>The Associations thus support the proposed changes that eliminate the revenue generation limitation while also reducing the derating factor for HD HRI at 37.5 percent</u>.

Finally, the Associations are in favor of the proposal to allow blue hydrogen to contribute to the renewable hydrogen requirements under the LCFS. Providing as much flexibility as possible for hydrogen fuel production will best enable the growth of HD hydrogen-powered transportation, which relies on a robust, economical supply of hydrogen to function.

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[4] *See* "Second Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information, Proposed Low Carbon Fuel Standard Amendments", California Air Resources Board, (October 1, 2024), *available at* https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/15day_notice.pdf

[5] *Supra n. 3.* The Associations previously filed comments in October 2024 requesting the changes made by the Agency in the Third Proposed Amendments to the capacity factor and credit generation restrictions.

Together, the elimination of the HRI revenue cap and the reduced discount factor proposed by the Agency have the potential to make a meaningful difference in improving the viability of HD hydrogen transportation in California, an essential element in lowering transportation emissions in the coming decades. Thank you for considering our perspective on these important topics. We would welcome the opportunity to further discuss these issues with you at any time.

Sincerely,

NATSO, Representing America's Travel Plazas and Truckstops
SIGMA: America's Leading Fuel Marketers