KERN ENERGY
We Fuel the Future

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VIA ELECTRONIC POSTING
https://ww2.arb.ca.gov/lispub/comm/bclist.php
Comment List: lcfs2024

April 21, 2025

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento CA, 95814

Dear Chair Randolph and Board Members:

Kern Energy (Kern) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB) proposed amendments to the Low Carbon Fuel Standard (LCFS) regulation released on April 4, 2025. Kern again urges CARB to reconsider the addition of subsection 95482(h), which imposes restrictions to hydrogen crediting, in favor of a more comprehensive, inclusive approach to ensure the state can meet the hydrogen needs of a clean energy future.

Kern Energy is an independent, family-owned and operated transportation fuel producer located in the Southern San Joaquin Valley that has proudly fueled California for 90 years. Kern is the only refiner between the major refining complexes in the Bay Area and Los Angeles producing both gasoline and diesel. At a capacity of 26,000 barrels per day, Kern serves as a critical fuel supplier, reliably supplying the needs of the agricultural breadbasket and major transportation corridors of the state. As a renewable fuel pioneer, Kern embraced the challenge presented by California's LCFS and the federal Renewable Fuel Standard, becoming just the second refinery in the U.S. to produce renewable diesel by co-processing bio-feed and the first small refiner in California to blend biodiesel.

Kern has been an active participant in the development and evolution of the LCFS since program inception, actively engaging in the policy-making process and reliably serving the California market as a provider of liquid transportation fuels. Kern appreciates CARB staff's work throughout the rulemaking process and continues to urge CARB that any LCFS changes support logical and attainable CI reduction targets while continuing to incentivize fuel producers, like Kern, to ensure the reliable delivery of cleaner and lower carbon transportation fuels to our communities.

In earlier rulemaking packages, staff proposed to add a new subsection 95482(h) to remove LCFS credit generation eligibility for hydrogen produced using fossil gas as a feedstock. Staff is now proposing edits that would allow for hydrogen produced with accompanying carbon capture and sequestration (CCS) to count as renewable hydrogen. Kern appreciates this newly incorporated recognition of the benefits and strategic importance of layering CCS in hydrogen production to achieve climate goals. Nonetheless, these new provisions do not go far enough and continue to pick winners and losers (e.g., other fossil fuel-based hydrogen production) rather than allowing space for innovation and inclusive solutions.

CARB has consistently acknowledged the need for advanced technologies and a broad portfolio of fuels to meet the state's climate goals, so it is imperative that policy and associated regulatory frameworks remain technology-neutral and open to emerging innovation. The elimination of crediting for fossil hydrogen produced without CCS is short-sighted and stifles innovation by eliminating other technological advancements before they can be realized. California cannot rely on the forecasted operational timeline for projects funded under the hydrogen hubs grants to meet hydrogen demand post-2030, particularly while uncertainty looms over the future of federal funding.

The production of fossil hydrogen with other advanced technologies that reduce carbon intensity should be seen as a positive contribution to expanding the supply of low-carbon hydrogen in California. Refineries co-produce hydrogen within the process of naphtha reforming. This co-produced hydrogen can be separated from other refinery gases and used to produce energy without producing any additional emissions. The co-production of hydrogen from naphtha reforming is distinct from other hydrogen production processes, such as steam methane reforming (SMR), which specifically targets hydrogen as the main product of the process. Co-produced hydrogen would have no associated greenhouse gas emissions as the carbon intensity would be allocated to the reformed naphtha used to produce gasoline.

Kern is actively working on an advanced technology that would capture this co-produced hydrogen for use in on-site fuel cells to produce low-CI electricity. Preserving crediting opportunities within LCFS would maintain the option of dispensing co-produced low-CI hydrogen as a transportation fuel. Imposing barriers and prohibitions to the mobilization of existing industry and infrastructure only serves to hamper the development of key solutions and discourage contributors focused on improving our shared climate improvement goals. Kern again urges CARB to eliminate this new subsection before final approval of LCFS amendments.

In conclusion, Kern appreciates CARB's consideration of Kern's comments. As always, Kern is committed to working with staff throughout this regulatory process. Please do not hesitate to reach out to me at (661) 845-0761 with any questions.

Sincerely,

Melinda Palmer
VP – Regulatory & Public Affairs
Kern Energy