MUSKET

Trillium
A Love's Company

April 23, 2018

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

RE: LCFS Comments

Electronic Submission:
https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=lcfs18&comm_period=A

Dear California Air Resources Board Members and Staff:

Musket Corporation and Trillium Transportation Fuels, LLC are members of the Love's family of companies. We are committed to building the infrastructure required to support the low-carbon transportation future outlined in the 2017 California Air Resources Board ("CARB") scoping plan. We appreciate the opportunity to provide CARB comments concerning proposed changes to the Low Carbon Fuel Standard (LCFS) regulation released on March 6, 2018. The proposed changes to the LCFS regulation are designed to strengthen the program and to ensure California's long-term clean air objectives are attained. Good clean air policy benefits not just those living and working in these communities today but also future generations of Californians.

We believe there is an opportunity to improve upon the regulation and we kindly request consideration for the following comments:

Generating and Calculating Credits and Deficits

The verified operational carbon intensity ("CI") of the fuel may vary from the annual fuel pathway report. In the proposed changes to the regulation CARB is establishing a "buffer account" (LRT-CBTS) for credits and deficits. The regulation will penalize parties using overly aggressive carbon intensity values, but when parties use conservative carbon intensity values they are not rewarded for any improved performance. We request that any incremental CI benefit obtained during a reporting cycle be allowed to be claimed by the fuel producer.

Third Party Review

We recommend CARB consider taking additional steps to ensure the pool of qualified third parties for verification services are not reduced. The Conflict of Interest, Firm Rotation and Lookback provisions will considerably reduce the pool of "qualified" parties capable of meeting the criteria. Many of the most qualified companies will be excluded from the pool based on the proposed set of new requirements, which in turn will impact pricing for such services and potentially the credibility of the program by effectively mandating the use of with "less qualified" verifiers.

Our concern regarding the Conflict of Interest and Rotation is with the level of expertise in this new and highly specialized market and the risks associated with a less than "highly qualified" verifier pool. We go to great lengths to ensure the firms we use to verify our pathways are credible and experienced. This saves time, money and helps to ensure the integrity of the LCFS program. Limiting the qualified pool of verifiers with the proposed conflict of interest provisions and required rotations runs counter to the integrity of the LCFS program. *We request the elimination of the firm rotation requirement, the initial look back period associated with the Conflict of Interest provisions and requirement for annual site visits by verifiers.*

Product Transfer Timing

The proposed changes instituting a following-quarter time limit on obligated fuel transfers is demonstratively problematic. This can be challenge for renewable natural gas (RNG) and other credit generating fuels. The problem sought to be fixed seems to be a minority of entities that potentially could game the system by delaying obligation transfer over a change in compliance curve. This is very small percentage of activities in the tracking system, yet this proposed change will impact far more entities negatively.

The administrative burden associated with having to two separate transactions (credits and fuel) after only potentially holding a fuel three months seems excessive. There are also many IT systems in place that will need to be updated to address this new requirement. This all just seems very unnecessary. We are confident that the market will come up with workarounds, but that will just make the program more complicated. Therefore, we request that the short limit on obligation transfers be extended or removed.

Credit Issuance Timing Guidance Requested

We request additional guidance or clarification on § 95486. Generating and Calculating Credits and Deficits, and § 95486.1. Generating and Calculating Credits and Deficits Using Fuel Pathways. It is unclear when the term "if applicable" is applicable. The two sections can be read such that no credits can be issued if non-obligated fuel transactions do not reconcile between counterparties. We hope that is not the intent. Non-obligated transfers should not impact credit issuance.

The concern is that there can be problems with a true reconciliation with transactions that are done "without obligation". It's typically close, but may not match to the gallon. So, the concern is that a small discrepancy in non-obligated transfers would impact the larger and more valuable credit transactions side. This would be a major problem for industry.

Hydrogen Infrastructure

An important aspect of the LCFS is that it provides support for hydrogen fueling infrastructure. Hydrogen as a transportation fuel provides a low carbon, clean air, and zero emission vehicle fuel for of the State while supporting Executive Order B-48-18. Enabling significant cost reduction through station development at sustained pace and scale should be a key component of the program moving forward. We support the efforts to achieve these goals and stand ready, as a both a transportation fuel and infrastructure provider, to work toward accomplishing the State's low carbon goals.

We welcome the opportunity to play a collaborative role with the CARB in this process and appreciate your attention to our concenrs. If you have any questions, please do not hesitate reaching out to myself or any member of my staff.

Thank you,

Bill Cashmareck
Managing Director, Trillium