

April 23, 2018

Via Electronic Submission

California Air Resources Board
1001 I Street
Sacramento, CA
95812

Re: Comments of Powerex Corp. (Powerex) on the Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Chairwomen Nichols and Members of the California Air Resources Board (“CARB”),

Powerex appreciates the opportunity to comment on the proposed amendments to the Low Carbon Fuel Standard (“LCFS”) regulation. Powerex provides these limited comments with respect to the treatment of out-of-state zero and low carbon intensity (“CI”) renewable electricity used in the LCFS fuel pathways for Zero Emission Vehicles (“ZEVs”).

Background of Powerex

Powerex is a corporation organized under the *Business Corporations Act* of British Columbia, with its principal place of business in Vancouver, British Columbia, Canada. Powerex is the wholly-owned energy marketing subsidiary of the British Columbia Hydro and Power Authority (“BC Hydro”), a provincial Crown Corporation owned by the Government of British Columbia. Powerex sells wholesale power in the United States pursuant to market-based rate authority granted by the Federal Energy Regulatory Commission (“FERC”) in September 1997 and is an active participant in the California energy market. Powerex sells power from a portfolio of resources in the United States and Canada, including Canadian Entitlement resources made available under the Columbia River Treaty, BC Hydro system capability, and various other power resources acquired from other sellers within the United States and Canada.

Powerex has been delivering power to California since shortly after receiving its market-based rate authorization more than 20 years ago. Powerex is a supplier to California entities of multiple types of electricity products, including renewable energy, non-greenhouse gas (“GHG”) emitting energy, and low-GHG supply as an Asset Controlling Supplier for energy deliveries from the BC Hydro system.

ZEV Infrastructure and Out-of-State Renewable Electricity

In the Initial Statement of Reasons, CARB Staff notes that CARB has seen little interest in combining ZEV fueling technologies with zero or low-CI electricity.¹ Under the current LCFS regulations, the electricity from a renewable energy source utilized in an LCFS fuel pathway may only be included in the carbon intensity determination if the energy from that renewable energy source is directly consumed in the production process. To claim the zero to low-CI of renewable energy, the applicant must provide evidence that the generation source is dedicated, generally by showing that the source is onsite/co-located with ZEV fueling station.²

According to Staff, this requirement that the renewable energy source is onsite/co-located with the ZEV charging technology has resulted in limited interest in such a fuel pathway. In order to address this issue, Staff has developed proposed section 95488.8(i)(1) of the LCFS regulation, which would allow reporting entities to use indirect accounting mechanisms for renewable energy to reduce the carbon intensity of the electricity supplied as a transportation fuel, subject to certain conditions. One of these conditions is that the “renewable electricity must be supplied to the grid within a California Balancing Authority.”³

Powerex supports expanding the conditions in which a reporting entity may claim renewable energy supplied as a transportation fuel and suggests CARB consider broadening the area in which renewable resources can be located beyond the local California Balancing Authority.

Powerex notes that other California programs recognize renewable, zero and low-CI resources located outside of a California Balancing Authority to serve the State’s load. For example, under CARB’s Mandatory Greenhouse Gas Reporting Regulation and the Cap-and-Trade program, out-of-state electricity that is directly delivered to California from a specified source is reported at the carbon emission factor of that specified source. Therefore, a renewable resource, such as wind and solar, that is directly delivered to California has a GHG emission factor of zero.⁴

Considering that California has long recognized zero-carbon renewable resources, from a broad geographic footprint, in meeting the State’s long term climate goals, Powerex suggests CARB consider removing the restriction in proposed section 95488.8(i)(1)(A) that renewable electricity must be supplied to the grid within a California Balancing Authority. CARB should consider developing rules so that the electricity from renewable resources, located outside a California Balancing Authority, which is supplied to ZEV fueling stations, may be included in the carbon intensity determination for LCFS purposes.

¹ See *Staff Report: Initial Statement of Reasons* at EX-4-EX-5, available at <https://www.arb.ca.gov/regact/2018/lcfs18/isor.pdf>.

² See *LCFS Frequently Asked Questions*, available at <https://www.arb.ca.gov/fuels/lcfs/guidance/guidance.htm#>.

³ Proposed section 95488.8(i)(1)(A).

⁴ In addition, under California’s Renewable Portfolio Standard (“RPS”) program, eligible renewable energy resources located outside of California may qualify as Portfolio Content Category 1 so long as such energy is scheduled from the resource into a California balancing authority without substituting electricity from another source. Further, both Portfolio Category 2 (firm and shaped energy) and Portfolio Category 3 (unbundled RECs) were developed to allow for out-of-state eligible renewable energy resources to qualify for California’s RPS program.

Powerex appreciates the opportunity to submit these comments and thanks you for your consideration. If you have any questions, please do not hesitate to contact the undersigned.

Kind regards,

/s/

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