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Comments of Center for Sustainable Energy® regarding the California Air Resources Board's (CARB's) Low Carbon Fuel Standard (LCFS) Workshop

Center for Sustainable Energy® (CSE) appreciates the opportunity to provide comments regarding CARB's proposed amendments to the LCFS, as discussed during the Public Workshop held on April 10, 2024.

CSE is a national nonprofit that accelerates adoption of clean transportation and distributed energy through effective and equitable program design and administration. Governments, utilities, and the private sector trust CSE for its data-driven and software-enabled approach, deep domain expertise, and customer-focused team. CSE's fee-for-service business model frees it from the influence of shareholders, members, and donors, and ensures its independence. Our vision is a future with sustainable, equitable and resilient transportation, buildings, and communities. CSE provides these comments based on our experience designing, implementing, and evaluating statewide incentive programs in California, Connecticut, Illinois, Massachusetts, New Jersey, New York, Oregon, and Vermont, which collectively translates to over $1 billion worth of program value under management. In California, CSE administers the Clean Vehicle Rebate Project (CVRP) on behalf of CARB, the California Electric Vehicle Infrastructure Project (CALeVIP) on behalf of the California Energy Commission (CEC), and the Pre-Owned EV Rebate Programs, which are funded by LCFS holdback credit revenues, on behalf of the investor-owned utilities (IOUs).

CSE generally supports CARB's proposed amendments to the LCFS program, including the proposals to strengthen carbon intensity (CI) targets and facilitate zero-emission vehicle (ZEV) adoption by providing additional credit generation opportunities for medium- and heavy-duty (MHD) ZEV infrastructure. CSE encourages CARB to continue providing targeted support to disadvantaged and low-income communities by maintaining the current administrative structure for the holdback credit projects implemented by the IOUs. Accordingly, CSE offers the following recommendations:

1. Strengthen CI reduction targets to stabilize credit prices and provide market certainty.
2. Support ZEV deployment by expanding capacity credit pathways to MHD infrastructure.
3. Maintain the 10 percent administrative cost cap for projects funded by holdback credits.

CSE's responses are discussed in detail below.

1. Strengthen CI reduction targets to stabilize credit prices and provide market certainty.

CSE supports CARB's proposal to strengthen the CI reduction targets and expand these targets out to 2045. These actions will help stabilize LCFS credit prices and provide long-term certainty to the transportation fuels market in California. Strengthening CI targets may also encourage other jurisdictions with clean fuel standards to adopt more stringent reduction goals. Additionally, CSE supports CARB's proposed Automatic Acceleration Mechanism, which will accelerate the CI targets once certain conditions are met. This will enable CARB to respond to changes in the transportation fuel market without the need for a formal rulemaking process, while simultaneously driving progress towards California's climate and clean transportation goals.

2. Support ZEV deployment by expanding capacity credit pathways to MHD infrastructure.

CSE strongly supports CARB's proposal to expand the Fast Charging Infrastructure (FCI) capacity credit pathway to operators of MHD charging infrastructure. This action will provide fleet operators and charging providers with upfront revenue to offset the high capital costs of deploying MHD charging infrastructure. Additionally, this capacity credit pathway will provide an additional tool to assist fleet operators in complying with the requirements of the Advanced Clean Fleets and other fleet-focused regulations. CSE also supports CARB's proposal to make these capacity credits available for operators of privately-owned infrastructure since MHD vehicles are generally more reliant on privately-owned infrastructure than light-duty vehicles.

CSE does not support CARB's proposal to limit MHD capacity credits to infrastructure installed at locations that are within one mile of a ready or pending Alternative Fuel Corridor (AFC) or adjacent to existing truck parking. CSE acknowledges and appreciates that CARB has proposed these limitations in order to maximize air quality benefits to those communities impacted by truck pollution, which disproportionately tend to be disadvantaged and low-income communities. However, CSE highlights that many MHD infrastructure sites will likely already be located in these communities, regardless of whether this limitation is adopted. Additionally, imposing such a limitation may prevent infrastructure deployment at other ideal locations, including warehouses and distribution centers, which may not be near an AFC or an existing truck parking site but may still provide air quality benefits to disadvantaged and low-income communities. CSE highlights that these geographic limitations on MHD infrastructure sites eligible for capacity credits have also been opposed by the Coalition for Clean Air[1] and Southern California Edison (SCE).[2] Accordingly, CSE does not recommend CARB adopt this limitation.

[1] Coalition for Clean Air, Amendments to the Low Carbon Fuel Standard, February 16, 2024, at 2-3.

[2] Southern California Edison, SCE Support for Low Carbon Fuel Standard Regulation Amendments with Some Proposed Modifications and Clarifications, February 20, 2024, at 6.

3. Maintain the 10 percent administrative cost cap for projects funded by holdback credits.

CSE strongly encourages CARB to maintain the 10 percent administrative cost cap for IOU projects funded by LCFS holdback credit revenues, rather than reducing these caps to five percent, as proposed in Section 95483(c)(1)(A)(5)(c). CSE supports CARB's efforts to ensure that holdback credits support disadvantaged and low-income communities, including the proposal to increase the percentage of residential base credits directed towards holdback projects and the proposal to increase IOUs' minimum investment in these communities. However, reducing the administrative cost cap for holdback projects may undermine the goal of supporting disadvantaged and low-income communities. Equity-focused incentive programs often have higher administrative costs than incentive programs for the general market because additional resources may be needed to identify potential applicants, ensure they meet specified eligibility criteria, and provide the support necessary to complete incentive applications. Specifically, equity-focused incentive programs may require case management and technical assistance services to support those applicants who have the greatest need but are the most difficult to target. Additionally, these programs often benefit from partnerships with community-based organizations (CBOs), who must also be compensated for their work in identifying and supporting priority applicants and informing program design and implementation. All of these factors can result in higher administrative costs. CSE notes that SCE made a similar point in its comments, highlighting that administrative costs nearly tripled in 2021 when SCE began implementation of the holdback credit program offering used EV incentives for low-income individuals.[3] Accordingly, CSE suggests that reducing the administrative cost caps for holdback projects may lower program participation and limit overall program effectiveness.

Conclusion

CSE appreciates the opportunity to provide these comments in response to CARB's LCFS Workshop. CSE commends CARB's efforts to improve the LCFS and advance California's transportation, emissions reduction, and equity goals.

Sincerely,

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[3] *Id.* at 3.