



COMMENTS OF HIF USA
ON
CALIFORNIA AIR RESOURCES BOARD
PROPOSED LOW CARBON FUEL STANDARD AMENDMENTS

MAY 9, 2024

Highly Innovative Fuels USA (HIF USA) appreciates the opportunity to offer these comments in response to the workshop that the California Air Resources Board (CARB or the Board) held on April 10, 2024 regarding proposed amendments to the Low Carbon Fuel Standard (LCFS) regulation.

A subsidiary of HIF Global, HIF USA is a global eFuels company focused on harnessing renewable energy sources to achieve fuel sector decarbonization. HIF USA is currently developing a large-scale commercially viable facility for generating low-carbon eFuels that can be used in a number of transportation applications and has submitted an LCFS pathway for its process that is currently awaiting CARB approval. HIF USA's focus on eFuel development fully aligns with CARB's mission in the LCFS program to encourage private sector innovation to develop a diverse supply of low-carbon transportation fuels in California. This is why HIF USA has been an active participant in support of CARB's LCFS update process, submitting comments on the regulatory amendment package that CARB released on December 19, 2023 and participating in the September 28, 2023 hearing and April 10, 2024 workshop.

I. LCFS Incentives for Low CI Methanol

HIF USA's representative, Shannon Broome, explained at the September 2023 Board hearing and April 2024 workshop that an important way for CARB to incentivize the proliferation of carbon-neutral transportation fuels in California is to amend the LCFS regulations (specifically Section 95482) to ensure that low-carbon intensity (CI) methanol (also referred to as "green methanol") is eligible for LCFS crediting as an opt-in fuel when sold for use in marine and other specialty transportation applications such as direct methanol fuel cells. HIF USA writes to reiterate this request as CARB considers how to craft a final rule that will create optimal incentives for a variety of low-carbon transportation fuels in California.

As explained in Ms. Broome's testimony at the September 2023 Board hearing and April 2024 workshop, as well as in the written submittal to this docket by Greg Dolan of the Methanol Institute, amending the LCFS regulations to identify green methanol as an opt-in fuel would create an important incentive for low-CI fuels in hard-to-decarbonize sectors such as marine transportation. Currently the LCFS regulations do not identify green methanol as an opt-in fuel, meaning that there is no opportunity for low-CI methanol created via HIF USA's process to generate LCFS credits. CARB could amend the LCFS regulations to incentivize the production and sale of this fuel in California by specifying that opt-in entities can obtain LCFS credits for low-CI methanol volumes sold for use in marine applications.

In a presentation during an LCFS workshop held in July 2022, CARB staff indicated that it was considering the inclusion of methanol as an opt-in fuel for "novel applications," including "commercial harbor craft" under Tier 2 EER-adjusted pathways. Yet, its proposed regulatory



amendments released in December 2023 did not include this proposed change, nor did CARB staff address the possibility of including this change in its presentation during the April 2024 workshop.

Ms. Broome asked staff during the April 2024 workshop about why CARB did not move forward with proposing to include green methanol as an opt-in fuel as was under consideration at the July 2022 workshop, and the response was that CARB did not feel that it had enough data on this fuel to support a proposal. CARB also raised the concern that, because methanol was not included as an opt-in fuel in the proposed rule package put out for a 45-day comment period in December 2023, it could not be included in the final amendments. HIF USA addresses these two issues as follows:

1. HIF USA is more than happy to support CARB in obtaining whatever data it may feel is necessary, either as part of this rulemaking proceeding or in the context of its currently-pending LCFS pathway application. In its April 11, 2024 submittal to this docket, the Methanol Institute also indicated its willingness to engage with CARB staff to facilitate access to all necessary data on green methanol. Indeed, as we have previously commented, we would very much welcome the opportunity to engage with staff on this issue.
2. CARB could accomplish the requested change without initiating a new 45-day comment period. Members of the public were put on notice that CARB was considering including methanol as an opt-in fuel for certain applications back in July 2022 when CARB staff originally presented the concept during its “Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard.”¹ HIF USA has commented multiple times in public forums on this change and has noted the benefits of such a change in its written submittals to CARB’s public comment dockets, including in testimony at the September 28, 2023 Board hearing on the LCFS amendments—which occurred well before the proposed rule package was released for 45-day comment.² Thus, the change would be sufficiently related to the regulatory language included in the 45-day package (within the meaning of Cal. Gov. Code § 11346.8(c)) such that CARB would only be required to issue 15-day notice of the change.³ Given the multiple times that the potential change was raised in these proceedings, a reasonable member of the directly affected public has certainly been on notice that such a change was possible.⁴

¹ See CARB, “Public Workshop to Discuss Potential Changes to the Low Carbon Fuel Standard,” “CARB Presentation” at Slide 31 (July 7, 2022), available [here](#).

² See, e.g., Comment 17 for Public Meeting to Hear an Update on the Low Carbon Fuel Standard (Sept. 28, 2023), available [here](#) (HIF USA pre-proposal comments to CARB Board requesting inclusion of low-CI methanol as an opt-in fuel in the LCFS regulations).

³ Cal. Gov. Code § 11346.8(c).

⁴ See 1 CCR § 42 (defining “sufficiently related” changes). See also *Western Oil & Gas Ass’n v. Air Resources Bd.* (1984) 37 Cal. 3d 502, 526 (“[T]he regulation adopted need not be the same as that proposed as long as it deals with the same subject or issue dealt with by the notice.”).



II. Book and Claim Accounting for Low-CI Electricity Used for Production of Hydrogen as E-Fuels Feedstock

HIF USA shares the concerns of the commenters who spoke at the April 10 workshop⁵ regarding CARB’s proposed regulatory text in 17 C.C.R. § 95488.8(i)(1)(A) which—as proposed in the 45-day package released in December 2023—would restrict the ability of eFuels proponents to use book-and-claim accounting (and specifically, Renewable Energy Certificates (RECs)) to claim the emission benefits of low-CI electricity used to produce hydrogen through electrolysis in the production of eFuels. HIF USA agrees with commenters at the April 10 workshop that CARB should not finalize this regulatory provision as proposed, as it would negatively impact the commercial availability of low-CI eFuels in the California transportation fuel market. HIF seeks to promote the use of eFuels in hard-to-decarbonize sectors where there is significant opportunity to reduce lifecycle emissions, as well as to reduce emissions of conventional pollutants that have impacts in environmental justice communities that are near ports in California.

We appreciate CARB’s willingness, as indicated at the April 10 workshop, to reconsider this issue. To facilitate reconsideration, HIF USA refers to and incorporates by reference its previous submittal to CARB addressing the proposed changes to 17 C.C.R. § 95488.8(i)(1)(A).⁶ As explained in that submittal, we encourage CARB to clarify the language of 17 C.C.R. § 95488.8(i)(1)(A) to ensure the continued use of book-and-claim accounting for low-CI electricity used for hydrogen production through electrolysis as a process step for eFuels. Proposed regulatory text to make this clarification was included in HIF USA’s comments on the 45-day package.

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We look forward to working with CARB staff on the LCFS regulatory provisions discussed above and on processing our LCFS pathway application to facilitate bringing innovative fuels to California, including green methanol.

If you have any questions or would like to discuss this submittal, please contact Shannon S. Broome, Hunton Andrews Kurth LLP (sbroome@huntonak.com) or (415) 818-2275.

⁵ CARB, Workshop Recording, Low Carbon Fuel Standard Public Workshop - April 10, 2024, available [here](#) at 3:40 (comments of Infinium and Rocky Mountain Institute advocating for use of book-and-claim accounting for low-CI electricity used to produce hydrogen as feedstock for eFuels).

⁶ See Comment 389 for Proposed Low Carbon Fuel Standard Amendments (Feb. 20, 2024) at 2, available [here](#) (HIF USA comments in response to CARB 45-day proposal regarding CARB’s proposed regulatory text for 17 C.C.R. § 95488.8(i)(1)(A)).