



March 12, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Re: Support for the Low Carbon Fuel Standard

Dear Governor Newsom:

We strongly support California’s commitment to reducing greenhouse gas (GHG) emissions and achieving carbon neutrality to prevent climate change and improve air quality. To that end, we applaud the light-duty zero emission vehicle (ZEV) sales requirements by the California Air Resources Board (CARB) calling for approximately 6 million ZEVs on the road by 2030 and 14 million by 2035ⁱ, as well as CARB’s ZEV requirements for sales of medium-, heavy-duty, and off-road vehicles. We recognize that the state’s investments in ZEVs and charging infrastructure have led to record breaking ZEV sales, ZEVs becoming a top California export, and has spurred major advances in manufacturing and job creation to support the ZEV and charging infrastructure markets. However, California still has a long way to go to reach our climate and ZEV goals, and we must utilize every tool available to achieve them. That is why we strongly support CARB’s Low Carbon Fuel Standard (LCFS). CARB is currently considering substantial amendments to the LCFS that would strengthen the regulation and we believe that the adoption of a strong LCFS is critical to ensure the equitable adoption of ZEVs for all Californians.

The LCFS supports zero emission vehicle and charging infrastructure adoption. The LCFS supports both the increase in ZEV adoption and the development of charging infrastructure needed to support all types and sizes of ZEVs.ⁱⁱ Over the past 10 years, the LCFS has spurred the transition from petroleum to electricity, reducing greenhouse gas emissions and a myriad of air and toxic pollutants that disproportionately impact low-income and disadvantaged communities. The LCFS has also served as a catalyst for billions of dollars of investments in ZEVs and charging infrastructure and will continue to

attract large amounts of private capital to the state. In addition, the LCFS has the added benefit of not relying on funding from either the California state budget or from California utility customers.

Under the current LCFS program, California's electric utilities invest credit proceeds in zero emissions programs. Highlights of past LCFS-funded programs include:

- Statewide California Clean Fuel Reward Program that provided rebates to over 400,000 electric vehicle customers;
- Pre-owned EV rebate programs, with increased incentives for low-income customers;
- Incentives for residential chargers and installation for low-income communities;
- Programs that directly install and fully cover the cost of chargers at multi-family residences in disadvantaged communities;
- Rebates for electric drayage truck purchases; and
- Grants to community-based non-profit organizations to promote adoption of EVs.

Under the proposed amendments to the LCFS, the electric utilities will spend almost 80% of their total credit proceeds on ZEV and charging infrastructure programs that benefit equity communities.ⁱⁱⁱ The utilities will also launch a statewide rebate program to support medium- and heavy-duty electric vehicles and will use remaining credit proceeds to support programs tailored to their service areas, building upon those highlighted above. CARB's 2022 Scoping Plan Update relies on the support for electrification that will be funded by the LCFS. Without this funding, these utility programs are not likely to exist and many low- and middle-income customers would be left behind.

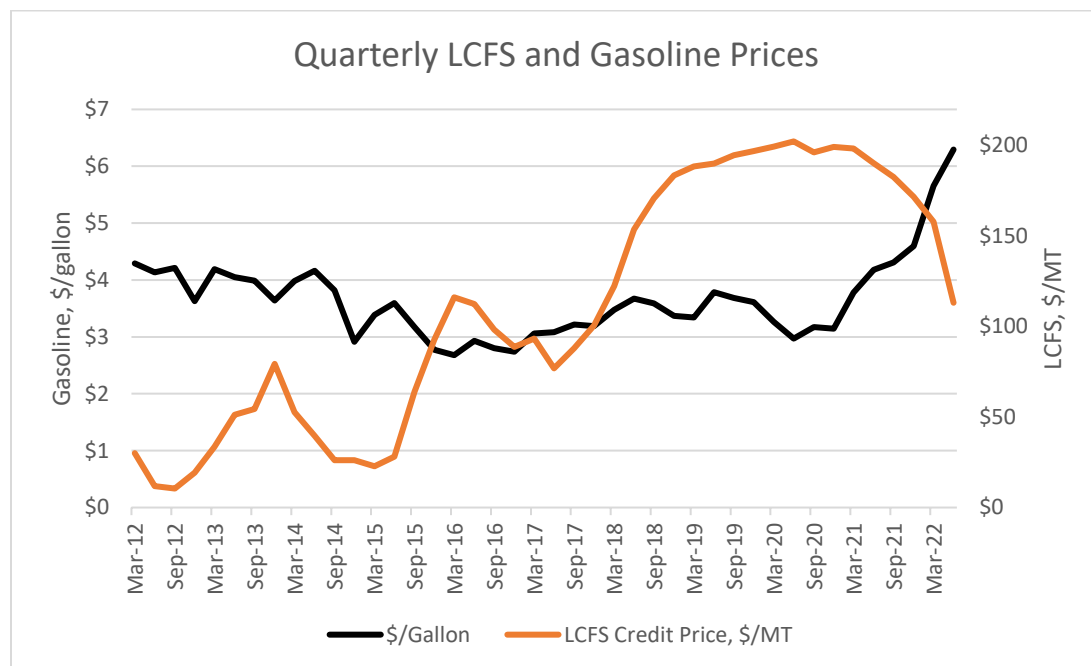
LCFS programs lead to downward pressure on electric utility rates. There are many reasons why utility electric bills are going up. However, one of the few things that supports the reduction of rates or what is called downward pressure on electric rates is transportation electrification. Increasing electricity usage through transportation electrification can reduce rates for all customers because fixed capital costs are spread over more electricity sales and charging shifted to off-peak times. A Synapse/NRDC study on the downward rate pressure dynamic found:

"...that over the last decade, EV drivers in PG&E's, SCE's, and SDG&E's service territories have contributed approximately \$1.7 billion more in revenues than associated costs, driving rates down for all customers."^{iv}

Furthermore, when utilities utilize LCFS credit proceeds instead of funds from the utility rate base for transportation electrification programs, it accelerates increased usage of the electricity system and compounds the ability to create downward pressure on rates even further.

LCFS enables Californians to switch to electricity for their transportation fuel, which will help all Californians spend less money in total on their energy bills. Electrification saves customers money by reducing their reliance on expensive fossil fuels, even when factoring for the grid upgrades needed to support electrification.^v And according to CARB's analysis, the current and proposed LCFS improves access of low-income, disadvantaged, and rural communities to ZE transportation^{vi} by making it more affordable.^{vii}

LCFS's impact on gasoline prices is overstated and market pressures from EV adoption will help lower prices at the pump. As shown in the graph below, there has been no direct, quantifiable link between quarterly LCFS prices and the price of gasoline.^{viii} While there may be impacts to retail gasoline prices from LCFS compliance, the correlation between the LCFS and gasoline prices is not nearly as significant as global macroeconomic and other factors that play a much larger role in influencing gasoline prices. It is difficult to predict how the oil industry will respond to increased stringency in LCFS with respect to consumer pricing of gasoline and diesel because the impact of increased LCFS stringency on gasoline prices is overshadowed by other factors. There are no requirements or assurances that compliance costs be put into the cost of a particular fuel, or that those costs associated with a particular fuel be recouped in the prices for that fuel, as opposed to any other fuel. Additionally, oil companies are getting much larger profits from California refineries as compared to refineries in other states, and oil companies do not have to pass on costs to consumers.^{ix} Instead, they could simply realize the profit margins they had in the past, or what they realize in other states.^x



Further, as gasoline faces increased competition from electricity and other low-carbon fuels,^{xi} experts indicate that fuel diversification of these less costly fuels puts price pressure on gasoline and diesel, further muting the impact of LCFS.^{xii} For example, an International Council on Clean Transportation study found that “oil prices will be lower in the future if low-carbon transportation technologies are mass deployed, as these technologies will drive a significant reduction in global demand for oil.”^{xiii} Pressure from EVs and other less expensive low carbon fuels will help create a free market for transportation fuel and remove gasoline’s inelastic price.

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For the reasons detailed above, we strongly encourage you to support the Low Carbon Fuel Standard. Please do not hesitate to contact us if you have any questions or would like additional information.

Best,

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cc:

The Honorable Mike McGuire; California Senate President pro Tempore

The Honorable Robert Rivas; California Assembly Speaker

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ⁱ Calculations in comments from Natural Resources Defense Council regarding CARB's Advanced Clean Cars II regulation. May 2022. Page 5, <https://www.arb.ca.gov/lists/com-attach/403-accii2022-UD4GclcyUGBXDIMy.pdf>.

ⁱⁱ The current LCFS is a well-crafted system that allows site-hosts, automakers, charging providers and utilities to generate LCFS credits in order to accelerate charging infrastructure.

ⁱⁱⁱ Statewide average number. Includes both statewide and individual utility programs funded by LCFS.

^{iv} See Electric Vehicles Are Driving Electric Rates Down <https://www.synapse-energy.com/sites/default/files/EV-Impacts-December-2022-21-032.pdf>, p.3.

^v Comparison between five of the most popular gasoline powered models in the country and an EV equivalent for purchase March 2024, Table 1 Atlas Public Policy. <https://atlaspolicy.com/comparing-the-total-cost-of-ownership-of-the-most-popular-vehicles-in-the-united-states/>; See also <https://www.edison.com/our-perspective/countdown-to-2045>, Figure 3.

^{vi} See <https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-sria> CARB LCFS regulatory package appendix C, pages 59-61.

^{vii} Ibid.

^{viii} Derived from <https://ww2.arb.ca.gov/resources/documents/lcfs-data-dashboard>, Figure 4 and https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_SCA_DPG&f=M; see Low Carbon Fuels Standards Market Impacts and Evidence for Retail Fuel Price Effects, Bates White Economic Consultant, April 2022. Page 25, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.bateswhite.com/media/publication/226_BW%20LCF%20Report%20-%20April%202022.pdf.

^{ix} <https://consumerwatchdog.org/energy/profit-reports-show-oil-refiners-are-gouging-californians-profits-gallon-double/>.

^x See <https://www.gov.ca.gov/2022/11/01/more-oil-companies-made-massive-profits-as-californians-paid-higher-gas-prices/> and <https://www.politico.com/news/2023/01/31/oil-earnings-california-newsom-00080538>.

^{xi} To illustrate the increase in ZEV penetration: "By 2030, UC Davis modeling predicts around 23% of total vehicles will be ZEVs, if projections hold, we (UC Davis's model) predict that the majority of the fleet will be ZEVs sometime in the mid-2030's." UC Davis letter to CARB, February 20, 2024, page 21. See <https://www.arb.ca.gov/lists/com-attach/7085-lcfs2024-Wi9QNQNdzRXMAF3.zip>

^{xii} Low Carbon Fuels Standards Market Impacts and Evidence for Retail Fuel Price Effects, Bates White Economic Consultant, April 2022. Page 9, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.bateswhite.com/media/publication/226_BW%20LCF%20Report%20-%20April%202022.pdf.

^{xiii} See <https://theicct.org/publication/oil-market-futures-effects-of-low-carbon-transport-policies-on-long-term-oil-prices/>.