Jordan Ramalingam
California Air Resources Board
1001 I Street
Sacramento, CA 95814

October 6, 2023

Dear Mr. Ramalingam:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary for the Low Carbon Fuel Standard (LCFS) 2023 Amendments proposed regulation, as required in the California Code of Regulations, title 1, section (a)(1). Comments are based upon the SRIA and other publicly available information.

The LCFS is designed to decrease the carbon intensity (CI) of California's transportation fuel pool and provide an increasing range of low-carbon and renewable alternatives to reduce petroleum dependency and improve air quality. The proposed amendments accelerate CI reduction goals by increasing the stringency of existing CI reduction targets through 2030 and imposing new declining CI targets through 2045. Additionally, the proposed amendments eliminate the LCFS exemption for intrastate fossil jet fuel, extend the existing credit for light duty zero-emission vehicle (ZEV) refueling infrastructure to medium and heavy-duty infrastructure, and phase out petroleum project credits by 2040. The regulation would affect the nine in-state crude oil refineries that currently produce transportation fuel, five of which represent 96 percent of the state's refining capacity. Total direct costs over the regulation's implementation period (through 2046) are estimated to be about $162 billion in which the highest annual cost occurs in 2039 with an estimated direct cost of about $11.2 billion. The proposed amendments are anticipated to generate an additional $1.65 billion in local government revenue and $379 million in state government revenue by 2046 through low-CI fuel use in government vehicle fleets and public transportation as well as increased ethanol, gasoline, and diesel taxes. Health benefits between 2024 and 2046 are estimated to be approximately $5 billion statewide, mostly through reduced premature cardiopulmonary mortality. The proposed amendments are also estimated to increase total revenue among California businesses by $128 billion from 2024-2046.

Finance generally concurs with the methodology in the SRIA, with the following exceptions. First, the SRIA must provide the rationale underlying any assumptions that are material to the analysis. The SRIA is missing rationales for some of the assumptions, including, but not limited to the following: 1) The SRIA assumes that the current blend of gasoline which is 90 percent regular gasoline (which generates deficits) and 10 percent ethanol (which generates credits) will persist through 2046. The SRIA should justify why this is a reasonable assumption and provide historical data or other evidence for why it does not expect this mix to change. 2) The SRIA does not back up its assumption that electric cars and light-duty trucks (electric vehicles or

EVs) would no longer have a substantial range or charging-time disadvantage compared to gasoline-powered vehicles by 2031. It should justify this assumption, as the EVs' annual mileage will affect total electricity demand over the regulation's effective period.

Second, the Advanced Clean Fleets regulation requires that EVs comprise 50 percent of government purchased fleets by 2024 and 100 percent of government vehicle purchases by 2027 will be EV. It is unclear whether the SRIA's estimated revenue from LCFS credit sales ($239 million from 2024 to 2045) accounts for EVs' increasing share of government fleets. The baseline for the SRIA's impact estimate should be based on state and local LCFS credit revenue under the existing clean fleets requirements, as otherwise the impact of the proposed regulation would be overstated.

Third, the SRIA should include the most recent Finance economic and population projections. We acknowledge that we previously indicated that the projections from the 2023-24 Governor's Budget were acceptable as the SRIA was expected to be submitted in May, but as updated projections have since been released, the latest population projections and inflation projections should be incorporated into the analysis.

Fourth, all of the amounts in the SRIA's macroeconomic impact section are in 2021 dollars. These figures should be inflated to 2023 dollars using the latest monthly Consumer Price Index estimates.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. The SRIA, a summary of Finance comments, and any responses must be included in the rulemaking file that is available for public comment. If any significant changes to the proposed regulations during the rulemaking process result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Somjita Mitra Digitally signed by Somjita Mitra
Date: 2023.10.06 20:54:06 -07'00'

Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Ms. Yana Garcia, Secretary for Environmental Protection, California Environmental Protection Agency