



LCFS Guidance

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Low Carbon Fuel Standard (LCFS) Guidance 22-02

Carbon Intensity and Credit Adjustments Associated with 2020 Annual Fuel Pathway Reports

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A. Introduction

The California Air Resources Board's (CARB) Low Carbon Fuel Standard regulation (LCFS), title 17 sections 95480 to 95503 of the California Code of Regulations, is designed to reduce greenhouse gas emissions associated with the life cycle of transportation fuels used in California. CARB staff has prepared this guidance document to describe the regulatory requirements in a user-friendly format. Unlike the regulation itself, this document does not have the force of law. It is not intended to and cannot establish new mandatory requirements beyond those that are already in the LCFS Regulation, nor can it supplant, replace or amend any of the legal requirements of the regulation. Conversely, any omission or truncation of regulatory requirements does not relieve entities of their legal obligation to fully comply with all requirements of the regulation.

This document describes the process for carbon intensity and credit adjustments associated with the submission and verification of 2020 Annual Fuel Pathway Reports (AFPRs).

Non-provisional fuel pathways were initially certified based on 24 months of operational data in the carbon intensity (CI) calculator submitted. AFPRs associated with these pathways also contain 24 months of operational data.

AFPRs associated with provisional fuel pathways may or may not include the full 24 months of operational data.

B. Contacts

For questions about the CI and credit adjustment communication based on verification of Annual Fuel Pathway Reports, please email LCFSAnnualReport@arb.ca.gov.

C. CI and Credit Adjustment Process for Non-provisional Fuel Pathway Holders

Upon completion of verification of AFPRs, CARB will contact fuel pathway holders with notice of verification outcomes and follow-up action items regarding CI and credit adjustments (Figure 1). Fuel pathway holders may elect to request a new CI within 14 calendar days. CARB will initiate the implementation of the CI changes after April 1, 2022.

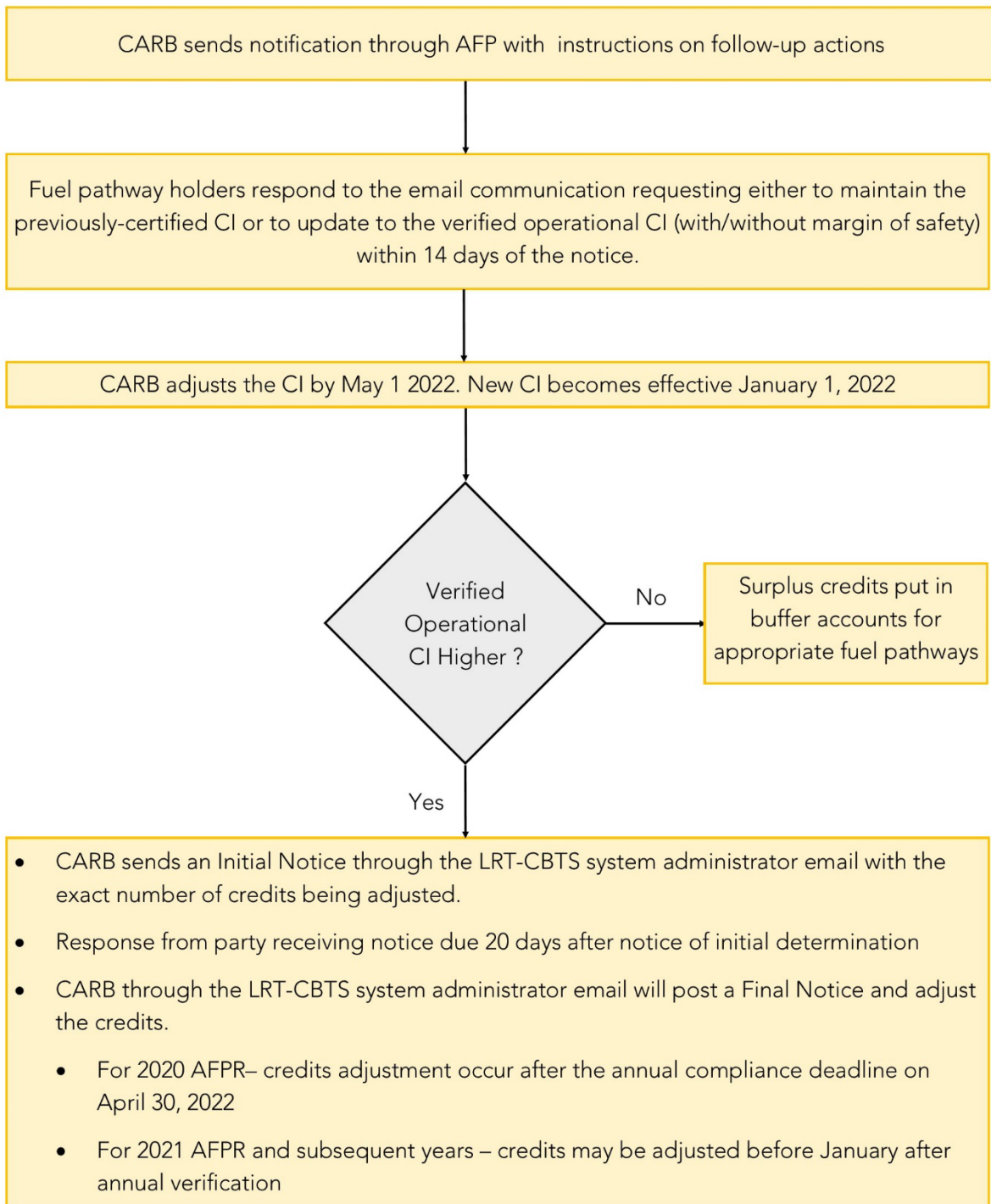


Figure 1. AFPR Post-Verification Steps for Non-Provisional Pathway

CI adjustment:

Non-provisional fuel pathway holders with a verified operational CI lower than the certified CI may elect to keep the previous certified CI or may request that the California Air Resources Board (CARB) replace their certified CI with the verified operational CI, with an option to request adding a conservative margin of safety, pursuant to section 95488.10(a)(6) of the LCFS regulation.

If a verified operational CI was higher than the certified CI, the fuel pathway holder was out of compliance for the specific reporting year (e.g., 2020) and may request CARB to add a conservative margin of safety to their previously certified CI in order to avoid future CI noncompliance (section 95488.10(a)(7)). Note that any historic or future noncompliance is or may be subject to CARB investigation, which may result in additional adjustments and/or enforcement action depending on the associated facts.

CARB will ask all non-provisional fuel pathway holders requesting to replace their certified CI with the verified operational CI and/or to add a conservative margin of safety to respond to CARB within 14 days of receiving the notice via AFP Correspondence, followed by a confirmation email (without confidential business information) sent to LCFSAnnualReport@arb.ca.gov

Fuel pathway holders will be asked to include the following information as part of their request through AFP Correspondence:

- Subject line of the correspondence: **AFPR 2020: Request CI replacement/change for non-provisional fuel pathway(s)**
- Fuel pathway holder/company name and LCFS ID
- Fuel production facility name and LCFS ID
- Application number(s) and fuel pathway code(s) that will be affected
- Previously certified CI(s)
- 2020 verified operational CI(s)
- Requested margin of safety to be added to either previously certified CI(s) or 2020 verified operational CI(s)
- A signed attestation that the new CI can be maintained through the next reporting period, and acknowledging that exceeding the newly certified CI in subsequent verifications will constitute non-compliance with LCFS requirements

The effective date of a new CI for a non-provisional fuel pathway is January 1, 2022, which means it will be eligible for Q1 2022 transactions reporting.

Credit Adjustment:

The 2020 LCFS credits generated under a non-provisional fuel pathway CI will be adjusted if the verified operational CI was found to be higher than the certified CI. Credit adjustments related to the 2020 Annual Fuel Pathway Report will not be finalized until after the 2021 annual compliance deadline of April 30, 2022.

Therefore, entities receiving credit adjustments related to the 2020 AFPR will have until the 2022 annual compliance deadline on April 30, 2023 to acquire any credits (i.e., purchase credits or report credit generating fuel) needed to account for any negative credit balance created by the adjustment. Please note, CARB may issue credit adjustments related to the Annual Fuel Pathway Report earlier in subsequent years. Credit adjustment notices will be sent to individual fuel reporting entities and will follow the procedure in section 95495 of the LCFS regulation.

D. CI and Credit Adjustment Process for Provisional Fuel Pathway Holders

Upon completion of verification of Annual Fuel Pathway Reports, CARB contact fuel pathway holders with notice of verification outcomes and follow-up action items regarding CI and credit adjustments (Figure 2).

CARB will ask all provisional fuel pathway holders requesting to add a conservative margin of safety to respond to CARB via AFP Correspondence within 14 calendar days of receiving the notice, followed by a confirmation email (without confidential business information) sent to LCFSAnnualReport@arb.ca.gov.

Fuel pathway holders will be asked to include the following information as part of their request through AFP Correspondence:

- Subject line of the correspondence: **AFPR 2020: Request CI margin of safety**
- Fuel pathway holder/company name and LCFS ID
- Fuel production facility name and LCFS ID
- Application number(s) and fuel pathway code(s) that will be affected
- Previously certified CI(s)
- 2020 verified operational CI(s)
- Requested margin of safety to be added to 2020 verified operational CI(s)
- A signed attestation that the new CI can be maintained through the next reporting period, and acknowledging that exceeding the newly certified CI in subsequent verifications will constitute non-compliance with LCFS requirements

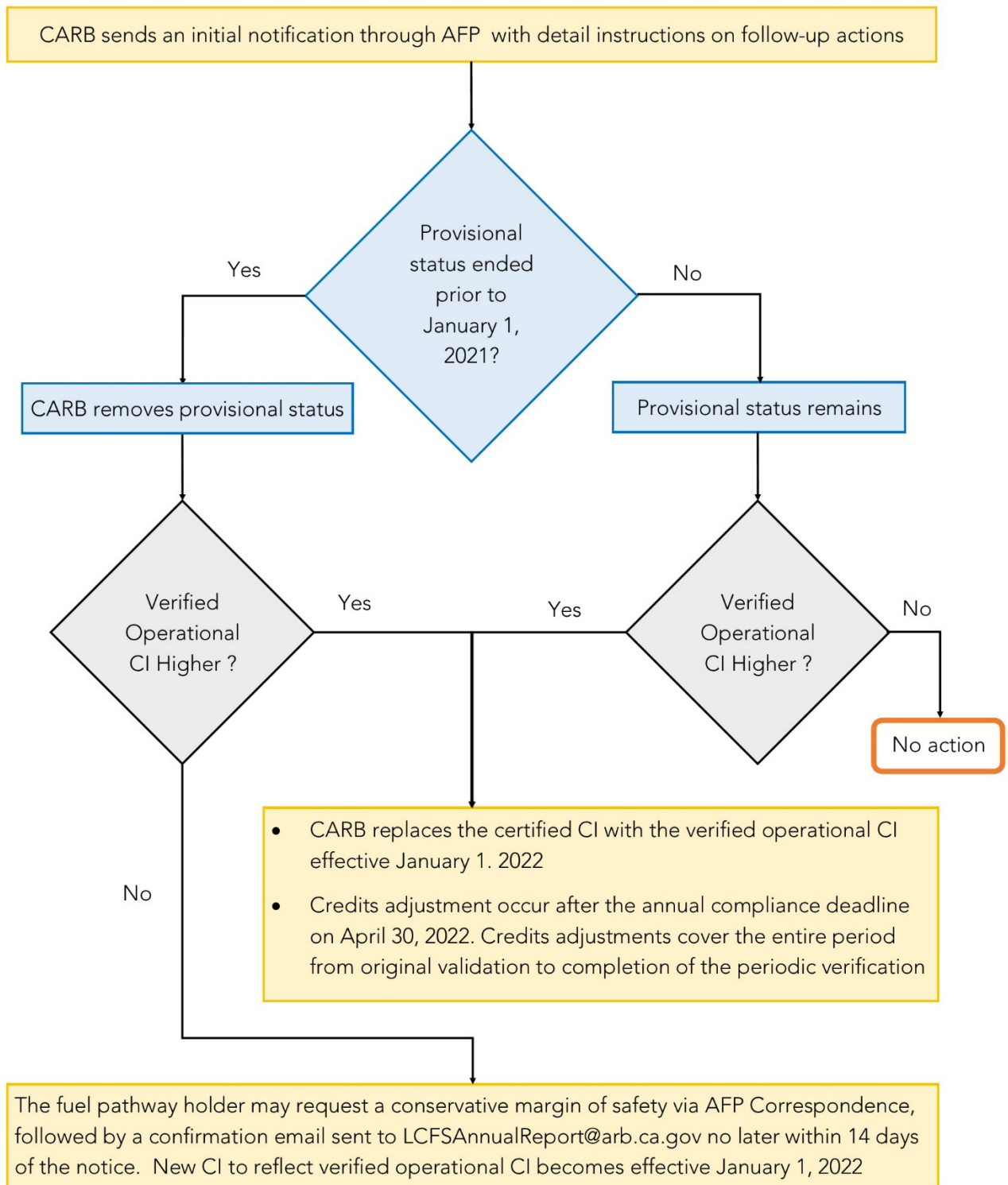


Figure 2. AFPR Post-Verification Steps for Provisional Pathway

D.1. Removal of Provisional Status

CI adjustment:

For a provisional fuel pathway with at least 24 months of operational data by the end of the compliance year (December 31, 2020), CARB will remove the provisional status (provisional status ended on December 31, 2020). See section 95488.9(c)(4).

For pathways with verified operational CIs higher than the provisionally-certified CIs, CARB will replace the certified CIs with the verified operational CIs pursuant to section 95488.9(c)(3)(A).

For pathways with verified operational CIs lower than the provisionally-certified CIs, CARB will certify the pathway with the lower CIs, adding an optional conservative margin of safety upon request from the fuel pathway holder pursuant to section 95488.9(c)(3)(B).

The effective date of the new CIs for these pathways is January 1, 2022.

Credit adjustment:

Any LCFS credits generated under a provisionally-certified CI, across the entire period from original validation to completion of the periodic verification (e.g. December 31, 2021), will be adjusted if the verified operational CI was higher than the provisionally-certified CI. Credit adjustments related to the 2020 Annual Fuel Pathway Report will be placed in the LRT-CBTS account AFTER the 2021 annual compliance deadline on April 30, 2022.

Therefore, entities receiving credit adjustments related to the 2020 AFPR will have until the 2022 annual compliance deadline on April 30, 2023 to acquire any credits (i.e., purchase credits or report credit generating fuel) needed to account for any negative credit balance created by the adjustment. Please note, CARB may issue credit adjustments related to the Annual Fuel Pathway Report earlier in subsequent years. Credit adjustments will be sent to individual fuel reporting entities.

D.2. Continuing Provisional Pathways

CI adjustment:

For a provisional fuel pathway with less than 24 months of operational data by the end of the compliance year (December 31, 2020), CARB will replace the provisionally-certified CI with the verified operational CI only if the verified operational CI is higher than the previous provisionally-certified CI with the effective date of January 1, 2022.

If the verified operational CI is lower than the previous provisionally-certified CI, CARB will not adjust the pathway CI until the provisional status is removed.

Credit adjustment:

Any LCFS credits generated under a previous provisionally-certified CI, across the entire period from ~~original certification to the end of the 2020 AFPR operational data period~~ validation to completion of the periodic verification (e.g. December 31, 2021), will be adjusted if the verified operational CI was found to be higher than the previous provisionally-certified CI. Credit adjustments related to the 2020 Annual Fuel Pathway Report will be placed in the LRT-CBTS account AFTER the 2021 annual compliance deadline on April 30, 2022.

Therefore, entities receiving credit adjustments related to the 2020 AFPR will have until the 2022 annual compliance deadline on April 30, 2023 to acquire any credits (i.e., purchase credits or report credit generating fuel) needed to account for any negative credit balance created by the adjustment. Please note, CARB may issue credit adjustments related to the Annual Fuel Pathway Report earlier in subsequent years. Credit adjustments will be sent to individual fuel reporting entities.