

June 6, 2023

California Air Resources Board
1001 I St.
Sacramento, CA 95814

RE: 3Degrees Comments in Response to May 23, 2023 Public Workshop on an Auto-Acceleration Mechanism for the Low Carbon Fuel Standard

Dear Air Resources Board Staff,

Thank you for the opportunity to provide comments in response to the May 23, 2023, Low Carbon Fuel Standard (LCFS) public workshop on incorporating an “auto-acceleration mechanism” into the LCFS.

3Degrees Group Inc. (“3Degrees”) is a global climate and clean energy solutions provider and is a strong supporter of the LCFS program. We participate in the program as a designated reporting entity on behalf of a variety of opt-in parties with light-duty electric vehicle (EV) chargers, electric forklifts, hydrogen forklifts, and heavy-duty EV fleets. We are also an active fuel pathway developer.

In response to the workshop, 3Degrees has two primary comments:

- 1. CARB should take all reasonable steps to introduce a lower CI target in time for January 1, 2024, implementation.** This includes potentially bifurcating the current process so that a phase one launches to increase the stringency of the CI target along with any other items that can be addressed for a January 1, 2024, implementation and a second phase is initiated closely following to address any outstanding or more complex items.

Notably, the need to introduce an auto-acceleration mechanism stems from the LCFS market outpacing program CI reduction targets in earnest since 2021 without clarity on when and to what degree CARB would increase program stringency. While the auto-acceleration mechanism is critical to ensuring that a market slump is avoided in the future, the more acute need is addressing the current over-performance of the market compared to policy targets.

We are concerned that multiple millions of credits are projected to be added to the credit bank in 2023, and a significant CI reduction is needed for 2024 in order to absorb these credits and maintain a robust market that incentivizes deep transportation sector decarbonisation in line with mid-century targets. By delaying an increase in CI stringency, CARB delays the ability to meet many of its objectives, including providing long-term price signals, increasing regulatory clarity to support deeper transportation sector decarbonization, and aligning the program with the Scoping Plan.

Continuing to delay the forthcoming rulemaking process to incorporate recommended changes is also risky because as the program continues to operate, technologies mature, markets evolve, and new issues will continue to be identified. Since the pre-rulemaking process began in 2020, there have been a wide variety of topics that have been brought forward for discussion, resulting in a regularly evolving list of proposals discussed in each workshop. Some of the proposals brought forward towards the end of the pre-rulemaking process are quite new to stakeholders and likely necessitate significant discussion. We commend CARB for taking a broad view of the policy and pursuing examination of innovative program design mechanisms, but these proposals should not take precedence over the acute need to stabilize the market.

We urge CARB to initiate a rulemaking quickly to address the administrative amendments discussed since the launch of the pre-rulemaking process in 2020, including the minimum amendments needed on 2030 target-setting to increase CI stringency and provide regulatory certainty through 2030. CARB should then commit to a firm, near-term timeline for undertaking any priority items from stakeholders that are not addressed in the 2023 rulemaking.

2. 3Degrees is supportive of incorporating an auto-acceleration mechanism into the LCFS to respond to over-performance of the program.

Our strong preference is for the auto-acceleration mechanism to take effect at the earliest opportunity alongside the release of the updated CI target for 2024. However, if this is a policy provision that could delay the introduction of an increased CI target past January 1, 2024 implementation, then we recommend setting it aside for this rulemaking and pursuing the incorporation of this mechanism in a rulemaking beginning in 2024.

3Degrees appreciates this opportunity to provide feedback and we look forward to continuing to work with ARB on the success of the LCFS program. Please reach out with any questions or for further discussion.

Sincerely,

/s/ Maya Kelty

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