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SUBMITTED ELECTRONICALLY

June 5, 2023

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1001 I Street
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Re: Comments on the May 23, 2023, public workshop to discuss potential changes to the Low Carbon Fuel Standard (LCFS) Program

Dr. Laskowski:

Marathon Petroleum Corporation (MPC) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB) May 23, 2023, public workshop to discuss potential changes to the LCFS Program.

MPC is a refiner and marketer of transportation fuels in the State of California and is investing in low-carbon solutions to meet the energy demands of today and into the future. MPC's commitment to low-carbon solutions is reflected in the successful conversions of its Dickinson, North Dakota and Martinez, California petroleum refineries, into renewable fuel production facilities. Combined, these two facilities are expected to produce up to 2.5 million gallons per day of renewable transportation fuel from renewable feedstock sources with an aggregate life-cycle carbon intensity that is approximately 50 percent less than petroleum-based fuels.

During the May 23, 2023, workshop, CARB discussed potential changes to the LCFS program, including an increase to the carbon intensity (CI) benchmarks leading up to 2030, and the inclusion of an Auto Acceleration Mechanism (AAM).

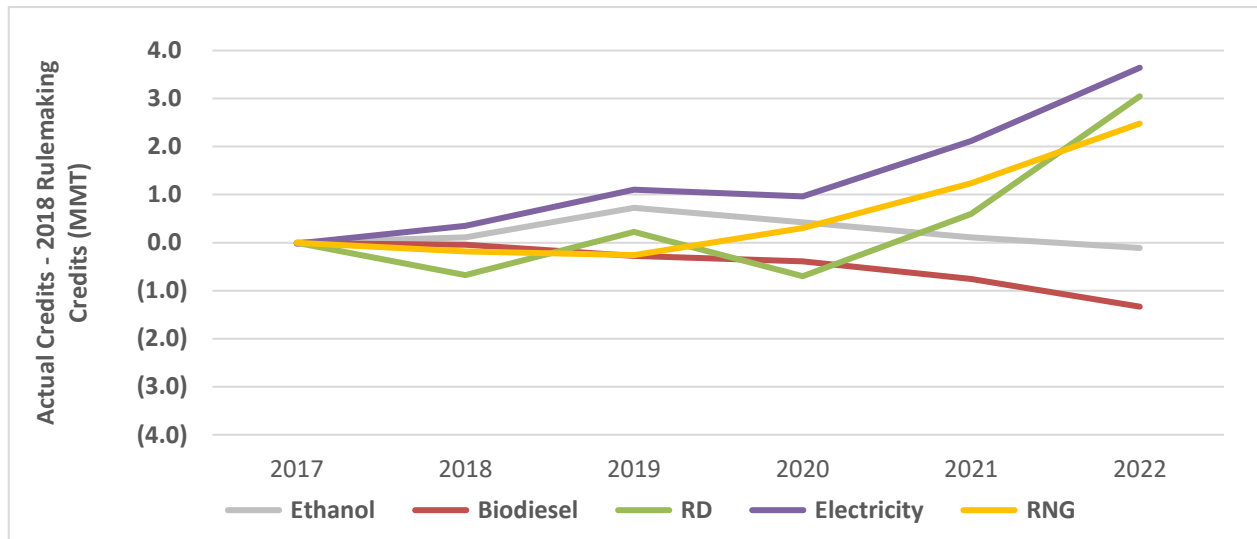
MPC's recommendations on these topics introduced in the workshop are listed below. Additional discussion and support for these recommendations are provided in the subsequent sections.

- MPC recommends CARB “step down” the current LCFS CI reduction of 12.5 percent in 2024 by no more than 5 percent.
- MPC recommends CARB not implement an Auto-Acceleration Mechanism (AAM) to trigger the advance of a future LCFS CI standard.

A step down of the CI standards will send the correct market signal and compensate for the growing mix of low carbon fuels used in California today.

The LCFS has helped expand California’s fuel mix by incentivizing new low-carbon fuel technologies to replace traditional petroleum fuels. In doing so, the LCFS has largely overperformed its existing targets since 2020. This has caused the number of banked LCFS credits held by firms to nearly double since 2020, with this total reaching 15 million¹ by the end of the Fourth Quarter 2022. The mounting bank of LCFS credits is due to a growing supply of lower-carbon fuels used in California and the impacts of COVID-19 on the transportation sector. These impacts are illustrated below in Figure 1 and Figure 2, which compare actual program data taken from the LCFS Quarterly Data Spreadsheet² to a fuel supply scenario detailed in the 2018 LCFS Illustrative Compliance Scenario Calculator³ starting in 2017, through fourth quarter 2022.

Figure 1



Since 2017, the majority of LCFS credits generated in the program have come from the supply of renewable diesel, ethanol, electricity, biodiesel, and renewable natural gas (RNG). Starting in 2020 through 2022, as Figure 1 shows, LCFS credit generation from electricity, renewable diesel, and RNG has far outpaced the amount CARB indicated was likely for this time period during the 2018 rulemaking.

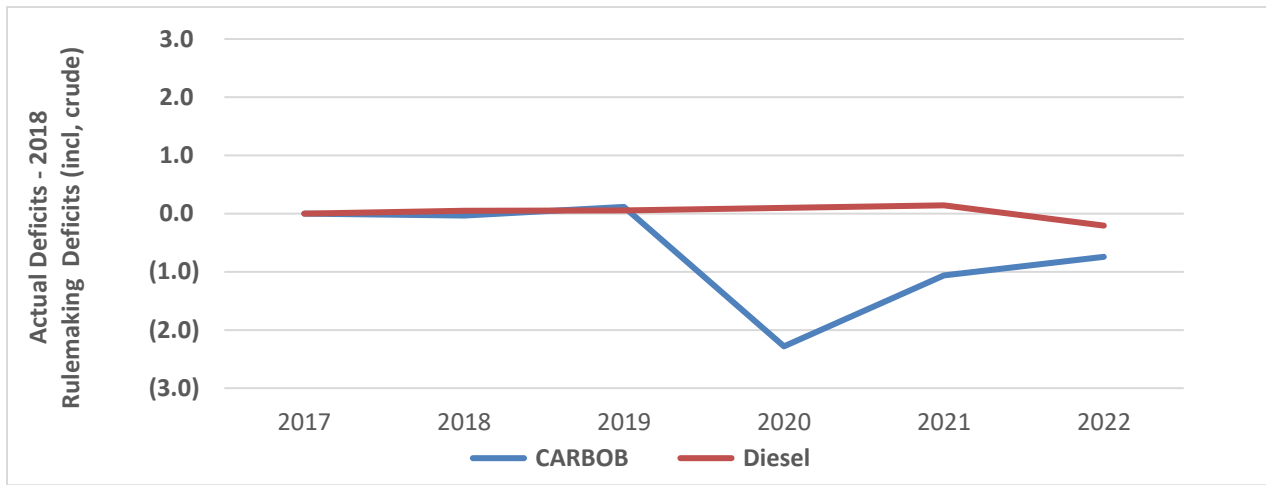
Figure 2 presents a similar comparison of the data, but for the largest deficit generators in the LCFS program, gasoline (CARBOB) and diesel. The impact of COVID-19 on CARBOB consumption in California and to LCFS deficit generation in 2020 is clear and has contributed to a growing bank of LCFS credits.

¹ LCFS Quarterly Data [Spreadsheet](#)

² *Id.*

³ CARB [Illustrative Compliance Calculator](#) accessed 5.23.23, High Demand/Low ZEV/20%/Infra scenario

Figure 2



CARB has signaled a more stringent LCFS CI standard schedule heading into 2030 and beyond. Given the program’s overperformance since 2020, due to the exceptional COVID-19 event and a growing supply of new low-carbon fuel technologies, CARB must consider a new starting point for the LCFS in 2024.

For these reasons, MPC recommends CARB implement a one-time step down of the CI reduction in 2024. MPC supports a 5% step down to a total CI reduction of 17.5% in 2024 but does not support a step down any greater than 5%.

The Auto Acceleration Mechanism (AAM) risks imposing past market performance on an uncertain future fuel mix.

As discussed above and during the May 23, 2023, workshop,⁴ LCFS credit generation over the last three years has largely surpassed expectations. To control the level of any future overperformance, CARB has proposed the AAM to trigger automatically and adjust the CI standard reduction schedule forward. The change to the CI standard would decrease the number of credits that may be generated for a fuel with a CI below the new CI standard and increase the number of deficits for a fuel with a CI above the new CI standard.

Reviewing and acting on program health indicators is an appropriate step for CARB to take in the LCFS, but implementing an automatic trigger to adjust the CI standard, as proposed with the AAM, is concerning. Acting on market health indicators is not a new practice for a low-carbon fuel policy. For example, the Oregon Clean Fuels Program has a process^{5,6} to adjust the CI standards based on whether the results of the review indicate a change is necessary to fulfil the States objective. This framework should serve as an example of a transparent and inclusive process that CARB could

⁴ CARB LCFS 5.23.23 Workshop [slides](#)

⁵ Oregon CFP [Review](#) pdf page 7, 2(e)

⁶ Oregon [Clean Fuels Forecast](#)

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implement to ensure the program continues to function as necessary. It is important that any changes to a future CI standard include stakeholder input before implementation. Without this input, as in the AAM, CARB risks imposing past market performance indicators on an uncertain future fuel mix.

Based on the data presented during the workshop, it remains unclear if the AAM would deliver what is intended by the mechanism over time. While the LCFS credit price, credit and deficit generation are generally accepted market health indicators, they do not correlate to a company's full range of decisions when investing in a technology the LCFS program rewards.

The LCFS program has brought new technologies to the table. Each technology will develop at its own pace and capacity, necessitating flexibility in the LCFS program. As such, periods of underperformance and overperformance are unpredictable, but should be expected. It is time for CARB to implement an annual review of the program that includes an assessment of any potential over- or underperformance of the program in the future. From this review only, if CARB sees any reason to modify a future CI standard, should such a change be implemented.

Thank you for the opportunity to comment on these subjects. If you have any questions about anything discussed here, feel free to reach out to me at bcmcdonald@marathonpetroleum.com.

Sincerely,



Brian McDonald

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