

Cheryl Laskowski, Ph.D.
Branch Chief – Low Carbon Fuel Standard
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: May 23, 2023, LCFS Workshop – Auto-Acceleration Mechanism for the Low Carbon Fuel Standard

Dr. Laskowski,

We appreciate the opportunity to provide feedback on the auto-acceleration mechanism for the Low Carbon Fuel Standard.

Fidelis New Energy, LLC (“Fidelis”) is an energy transition company driving decarbonization through investments in renewable fuels, low-carbon intensity products, and carbon capture and storage. Using proprietary technology and processes, Fidelis aims to develop, invest, and deliver climate positive and carbon negative infrastructure to reach carbon reduction and climate positive targets. Fidelis develops carbon negative sustainable aviation fuel, renewable diesel, renewable naphtha, clean hydrogen, and clean ammonia infrastructure; in addition to developing and operating CO₂ capture units, pipelines, sequestration wells, and related transportation and sequestration infrastructure.

We applaud the California Air Resources Board’s efforts to evaluate and implement the compliance target auto-acceleration concept to support the continued success of the low carbon fuels standard. Our comments on proposed changes to the Standard are as follows:

Fidelis Supports a Compliance Target Acceleration Mechanism

As noted on the LCFS program dashboard, 35% (4.7 million) of the 13.4 million credits cumulatively banked from the program’s inception were generated in the four-quarter period ending in Q3 2022.¹ Based on the rapid accumulation of credits, Fidelis encourages CARB to consider an acceleration mechanism to reduce compliance targets based on the performance of the LCFS market. This acceleration mechanism will ensure market certainty for industry to develop and deploy the required low carbon fuel infrastructure and ensure that emissions are rapidly, but feasibly, reduced to deliver both climate and air quality improvements to Californians. Furthermore, implementing an automatic acceleration mechanism allows the LCFS program to be more dynamic, send a positive market signal to renewable sector investors, and reach its decarbonization targets faster.

¹Data Source: CARB (February 2023) LCFS Dashboard (<https://ww2.arb.ca.gov/resources/documents/lcfs-data-dashboard>)

Fidelis Supports a Two-Test Triggering Mechanism with Annual Averaging Periods

In alignment with the presentations and recommendations made in AJW and LCFC's presentations during the most recent workshop, Fidelis supports a two-test triggering mechanism for the acceleration tool, that are based upon the standing credit bank volume, and the credits and deficits being generated. Specifically:

- $(\text{Cumulative Bank}) / (\text{Annual Deficits Generated}) > 0.7$
- $(\text{Annual Credits Generated}) / (\text{Annual Deficits Generated}) > 1.0$

We agree that both trigger criteria must be satisfied for an auto-acceleration to be implemented. By implementing both triggers, CARB can ensure that the LCFS credit bank remains positive, and effectively guarantees that the acceleration is only triggered when there is a strong surplus of credit generation, rather than marginal builds that would align with a competitively matched market.

Furthermore, Fidelis supports triggers being averaged on a calendar-year basis. Not only does this method simplify implementation for the Board and LCFS stakeholders, but it also addresses and minimizes concerns related to seasonality in credit and deficit generation.

Fidelis Supports Acceleration Impacting All Subsequent Years with Limits

As discussed in AJW's presentation, Fidelis recommends that when the trigger criteria for an auto-acceleration are met: all future years of the program schedule are impacted accordingly. Rather than sending a one-time signal and holding the program at the new target for an additional period (i.e., a "freeze"), we believe that impacting all future years in the program sends a strong and consistent market signal. This will further encourage projects and investments in the decarbonization sector and allow the LCFS program to accelerate its progress towards California's GHG reduction goals.

To maintain an active level of oversight on the program's acceleration, Fidelis supports a limit on the number of consecutive auto-accelerations that can be implemented. In alignment with AJW, Fidelis recommends that CARB be required to provide their approval on a third program auto-acceleration, if both trigger criteria are satisfied and there have been two consecutive prior auto-acceleration periods implemented.

Thank you for the opportunity to submit these comments on potential LCFS rulemaking changes. We welcome the opportunity to meet with CARB staff to discuss these issues in greater detail and to answer any questions that you may have.

Respectfully submitted,

Fidelis New Energy, LLC