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Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Subject: Low Carbon Fuel Standard – 15-Day Notice Comments

The Alliance for Automotive Innovation (Auto Innovators) and our members appreciate the opportunity to comment on the proposed 15-Day changes to the Low Carbon Fuel Standard (LCFS).¹ We support the proposed changes for crediting ZEV fueling infrastructure and for allowing the California Air Resources Board (CARB) Executive Officer (EO) to direct up to 45 percent of the base credits generated by light-duty (LD) electric vehicle (EV) residential charging to the automakers (aka, "OEMs") producing those vehicles.

No sector is investing more than OEMs to develop the EV market. By 2030, the auto industry is expected to invest more than \$1.2 trillion globally² in everything from critical minerals and critical mineral processing to battery cell and pack production, to vehicle development, certification, and production, to charging stations and consumer education. It makes sense for OEMs to receive a portion of the base residential EV charging credits to allow them to continue to make the necessary investments in the electric transportation transition.

Not only does no other sector have as much at stake, but also, no other sector has comprehensive knowledge of the auto-buying consumer market. The focus of CARB and the auto industry is a robust, vibrant, and sustainable EV market that serves the needs of every community from every economic sector and every part of the state and globe. Thus, if the goal is to use LCFS revenue to grow the EV market across all sectors and communities, automakers, more than any other sector, are uniquely positioned to do that in all communities including environmental justice (EJ) communities.

¹ California Air Resources Board. (2024, August 12). *Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information Proposed Low Carbon Fuel Standard Amendments*. Retrieved August 15, 2024, from https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/15day_notice.pdf

² <https://www.reuters.com/technology/exclusive-automakers-double-spending-evs-batteries-12-trillion-by-2030-2022-10-21/>

In fact, the regulations allow OEM base credit projects that include “multilingual marketing, education, and outreach... designed to increase awareness and adoption of EVs.” Projects like this might be combined with other EJ projects, such as EJ projects identified in the Advanced Clean Cars II regulations, Clean Cars for All (CC4A) program, or the Sustainable Transportation Equity Project (STEP). Moreover, the regulations allow OEMs to develop and implement other projects with approval from the Executive Officer. These projects may also include EJ outreach and engagement.

As we have noted in the past, the transition to zero emission vehicles (ZEVs)³ for light-duty vehicles (LDVs) is far from complete. California’s ZEV market share climbed to over 25% in 2023 but has since stalled in the first half of 2024. While this stall might be temporary, substantial progress is still needed to meet the Advanced Clean Cars (ACC) II requirements of 51% ZEV in 2028, 68% ZEV in 2030, and 100% ZEV in 2035. To ensure the full transition to ZEVs, funding generated by residential plug-in electric vehicle (PEV) charging should be used exclusively to develop the LDV EV market through infrastructure, vehicle incentives, and public education.

To strengthen the approach and increase the likelihood for success, we recommend the following revisions.

First, as noted above, revenue from LDV PEV residential charging should be directed to LDV PEV market expansion. This applies equally to past revenue that was collected for the LDV Clean Fuel Reward Program and future funding generated by residential charging. Consequently, we recommend adding the following definition in 17 CCR §95481:

“Light-Duty Vehicle California Clean Fuel Reward (CCFR)” is a statewide program to provide a reduction in price on new light-duty electric vehicle purchases or leases in California, including light-duty and medium-duty electric vehicles with a gross vehicle weight rating of 10,000 pounds or less and sold or leased on an individual basis to non-fleet customers. The California Clean Fuel Reward is funded exclusively through LCFS proceeds generated from electricity used for residential charging of electric vehicles up to 10,000 pounds gross vehicle weight rating.

The proposed definition of “California Clean Fuel Reward” should be revised to “Medium- and Heavy-Duty California Clean Fuel Reward (CCFR).”

³ In this letter, “ZEVs” include battery, plug-in hybrid, and fuel cell electric vehicles (BEV, PHEV, and FCEV, respectively). “PEVs” include BEV and PHEV only.

The regulation allows that the “Executive Officer may direct up to 45% of base credits to eligible OEMs,” but there is no definition of “eligible OEMs.” Presumably this includes all OEMs producing and selling light-duty plug-in electric vehicles in California, but clarification would be helpful.

The regulation appears to allow the EO to direct anywhere from 0 percent to 45 percent of the base credits to eligible OEMs, but there is no indication of the criteria that might be used to determine the portion directed to OEMs. Clarifying the criteria would make the regulation more transparent.

The regulation is also not clear if the portion assigned to OEMs is fixed or could change year-to-year. Presumably the portion cannot change since OEMs and utilities need long-term stable funding to efficiently administer EV market support programs.

The regulation appears to eliminate the California Clean Fuel Reward (CCFR) as soon as any portion of the base credit is directed to OEMs. Since the EO could direct anywhere from 0 percent to 45 percent of the base credits to eligible OEMs, it seems the CCFR could be eliminated even though only a small portion (e.g., 1 percent) of the base credits are directed to the OEMs. We agree the light-duty vehicle CCFR is unnecessary if 45 percent of the base credits are directed to the OEMs. However, if only a small portion is directed to automakers, the utilities should continue to administer the light-duty vehicle CCFR. We recommend modifying §95483(c)(1)(A)2 and 3 to read “unless 45 percent of the base credits are allocated to the OEMs pursuant to section 95483(c)(1)(B)...” and §95483(c)(1)(B) to read “If the Executive Officer directs 45 percent of the base credits to eligible OEMs, the requirements of section 95483(c)(1)(A)2. do not apply.”

We estimate the utilities have collected over \$400 million⁴ for the CCFR program. However, they eliminated the reward beginning September 1, 2022. CARB should direct the utilities to

⁴ Estimation:

- 10,705,332 MT of base credits generated between 2019 and 2023
 - Source: <https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-reporting-tool-quarterly-summaries>
- \$128.23 /MT weighted average price over that period
 - Source: <https://ww2.arb.ca.gov/resources/documents/lcfs-credit-transfer-activity-reports>
- = \$1,372,737,229 worth of base credit value generated
- 67% should have gone to CFR rewards
 - Source: page 32 of regulations: https://ww2.arb.ca.gov/sites/default/files/2020-07/2020_lcfs_fro_oal-approved_unofficial_06302020.pdf
- = \$919,733,944 should have gone to CFR rewards
- \$450,540,222 were the reported total program expenses (\$416.8 million in CFR rewards + \$33.7 million in administrative expenses)
 - Source: <https://cleanfuelreward.com/reporting#mark-equity>
- = **\$469,193,722 in missing money** through the end of 2023

reestablish the light-duty vehicle CCFR until those funds are exhausted, or have those funds allocated to the OEMs to use in their own rebate programs.

The regulation also states that any entity is eligible to generate incremental credits for improvements in carbon intensity of electricity used for residential EV charging, which would seem to include OEMs. If this is in fact the case, we recommend modifying section 95483(c)(1)(E)(3) to read “For non-metered residential EV charging, an EDU or OEM is eligible to generate incremental credits for supplying low-CI electricity ~~to the EVs in its service territory~~.

Finally, section 95500(c)(1)(E)(1) lists EV charging as requiring verification of Quarterly Fuel Transaction Reports including site visits. This is not practical or feasible for metered electricity using telematics data or home charging. CARB should work with industry stakeholders to determine an appropriate verification process for telematics data, while reducing any potential double-counting.

Again, we support changes in the 15-Day Notice with the clarifications indicated above and sincerely appreciate the hard work and collaboration by CARB staff on proposed changes. Please don't hesitate to contact me if you have any questions or need additional information.

Sincerely,



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