LCFS Guidance

Low Carbon Fuel Standard (LCFS) Guidance 20-03

Electricity Credit Proceeds Spending Requirements

Released: March 2020

INTRODUCTION

California Air Resources Board's (CARB) Low Carbon Fuel Standard (LCFS) regulation, which appears at sections 95480 to 95503 of title 17, 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.

BACKGROUND

The LCFS regulation[1] requires entities generating credit using electricity pathways (referred to as "electricity credit") to use the resulting credit proceeds to benefit Electric Vehicle (EV) drivers and their customers, and generally invest in projects that promote transportation electrification in California. Paragraphs 2. through 7. in section 95491(d)(3)(A) of the LCFS regulation provide specific electricity credit proceeds spending requirements for Load-Serving Entities (LSEs) and non-LSEs. These spending requirements do not apply to credits resulting from ZEV Fueling Infrastructure pathways.

This guidance document is designed to summarize and describe electricity credit proceeds spending and reporting requirements for both LSEs and non-LSEs generating credits using electricity pathways.

[1] All citations to the LCFS regulation are title 17 to the California Code of Regulation (CCR), sections 95480-95503.

SPENDING REQUIREMENTS FOR LOAD SERVING ENTITIES

LSE refers to a Load-Serving Entity as defined in the LCFS regulation and includes Electrical Distribution Utilities (EDUs) and Community Choice Aggregators (CCAs). Paragraphs 2. through 4. in section 95491(d)(3)(A) of the LCFS regulation provide specific requirements for an LSE to use electricity credit proceeds.[2] These requirements apply to all credits generated using electricity pathways including base credits[3] and incremental credits[4]. EDUs are required to contribute a certain minimum portion of their base credits to Clean Fuel Reward (CFR) program as per the schedule in Appendix A.

LSEs may use the electricity credit proceeds resulting from a specific category or sector of electric transportation to invest in transportation electrification projects in the same category or sector. For example, entities receiving incremental credits for providing low-CI electricity for residential EV charging can use the proceeds to provide incentive for additional metered residential charging using low-CI electricity, including additional metering in residences for EV charging or to lower the cost of EV charging for residences with metering. Through the annual reporting, entities may demonstrate that they have exhausted opportunities to promote electric transportation in a specific category or sector and use credit proceeds to support transportation electrification in another category or sector. Examples that would meet the electricity credit proceeds spending requirements for an LSE are:

1. Providing incentive support for purchasing/leasing EVs or other electric transportation equipment (for example, electric forklifts, electric buses, electric trucks, etc.).
2. Providing incentive or direct investment for installing residential or non-residential EV charging infrastructure.
3. Providing rate options or incentives to encourage EV charging during off-peak hours to provide grid benefits.
4. Providing on-bill credit or other incentives to promote use of electric transportation.
5. Marketing, education, outreach programs to provide information and material to inform the public on the benefits of EV transportation. This could include information regarding the environmental, health and economic benefits of EV ownership, including a comparison of the total cost of an EV versus an internal

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[2] Entities generating credits for providing low-CI electricity may first use credit proceeds from incremental credits to offset the incremental cost of procuring low-CI electricity or renewable electricity certificates (RECs) if that incremental cost is not already being paid by other sources.

[3] "Base Credit" refers to the credit generated by an EDU for electricity using carbon intensity values provided in the Lookup Table pathway for California Average Grid Electricity and the credit calculation in 95486.1(a) of the LCFS regulation.

[4] "Incremental Credit" refers to any credit generated in addition to the base credit for supplying low-CI electricity to residential EV charging and is calculated using the difference between the carbon intensity for California Average Grid Electricity and the low-CI electricity source.

combustion engine alternative (including the cost of refueling, servicing and maintenance, etc.)

The above list of examples is not exhaustive. Entities may use electricity credit proceeds to support other transportation electrification projects which are not included in the list but would meet the LCFS requirements. Entities may choose to spend all electricity credit proceeds in a single program or project.

Please contact LCFS staff for consultation if it seems unclear whether a potential use case would meet the electricity credit proceeds requirements.

SPENDING REQUIREMENTS FOR NON-LSE

Paragraph 7. in section 95491(d)(3)(A) of the LCFS regulation provides specific requirements for non-LSE use of electricity credit proceeds.[2] These requirements apply to all credits generated using electricity pathways including incremental credits[4].

Non-LSEs may use the electricity credit proceeds resulting from a specific category or sector of electric transportation to invest in transportation electrification projects in the same category or sector. For example, an entity generating electricity credits for public EV charging can use the proceeds to incentivize public EV charging or deploy additional EV charging infrastructure. Through the annual reporting, entities may demonstrate that they have exhausted opportunities to promote electric transportation in a specific category or sector and use credit proceeds to support transportation electrification in another category or sector. Examples that would meet the electricity credit proceeds spending requirements for a non-LSE are:

1. Providing incentive support for purchasing/leasing of EVs or other electric transportation equipment (for example, electric forklifts, electric cargo handling equipment, electric transportation refrigeration units, electric buses, electric trucks, etc.).
2. Providing incentive or direct investment for installing EV charging infrastructure.
3. Providing rebates or other incentive for using electricity as a transportation fuel (for example, providing discounted or no-cost electricity for transportation applications, providing discounted or no-cost rides on electric public transit, etc.).
4. Marketing, education, outreach programs to provide information and material to inform the public on the benefits of electric transportation. This could include information regarding the environmental, health and economic benefits of electric transportation, including a comparison of the total cost of electric transportation mode versus other alternatives (including the cost of refueling, servicing and maintenance, etc.).

The above list of examples is not exhaustive. Entities may use electricity credit proceeds to support other transportation electrification projects which are not included in the list but would meet the LCFS requirements. Entities may choose to spend all electricity credit proceeds in a single program or project.

ITEMIZED REPORTING OF ELECTRICITY CREDIT PROCEEDS

Pursuant to paragraphs 5. and 7. in section 95491(d)(3)(A) of the LCFS regulation, all entities (LSE and non-LSE) generating credits from electricity pathways are required to submit an itemized summary of efforts and costs associated with meeting electricity credit proceeds requirements. This itemized summary must be submitted along with Annual Compliance Report due by April 30 of each year. For this reporting the entity may use the electricity credit proceeds reporting template provided by CARB. The most updated electricity credit proceeds reporting template can be downloaded from the LCFS Reporting Tool (LRT) home page (https://ssl.arb.ca.gov/lcfsrt/Login.aspx). An Investor-Owned Utility (IOU) must also submit an unredacted copy of the annual implementation report required under Order 4 of California Public Utilities Commission of California (CPUC) Decision 14-12-083, or any successor CPUC Decisions.

ACCOUNTING OF LCFS PROCEEDS FOR ITEMIZED REPORTING

In the itemized summary the entity shall include the following for a complete and accurate accounting of electricity credit proceeds during the prior calendar year to demonstrate they have met the electricity credit proceeds requirements.[5] For example, the itemized summary submitted by April 30, 2020 would cover the period during January 1, 2019 to December 31, 2019.

1. Total number of credits carried over from the prior calendar year.
2. Total number of electricity credits carried over from the prior calendar year.
3. Total number of credits generated during the calendar year.
4. Total number of electricity credits generated during the calendar year.
5. Total number of credits sold during the calendar year.
6. Total number of electricity credits sold during the calendar year.
7. Total number of credits carried over to next calendar year
8. Total number of electricity credits carried over to next calendar year.
9. Total proceeds ($) resulting from credits sold during the calendar year.
10. Total proceeds ($) resulting from electricity credits sold during the calendar year.
11. Any electricity credit proceeds ($) carried over from prior calendar year.
12. Total electricity credit proceeds ($) used during the calendar year.
13. Any electricity credit proceeds ($) earmarked for future use. Provide a brief description of expected use and timeline, if available.
14. A brief description and breakdown of electricity credit proceeds ($) used during the calendar year to implement individual projects or programs to benefit EV drivers and customers, and to promote transportation electrification in California.

CONTACT

If you have questions regarding the above information, please visit the LCFS Contacts webpage: https://www.arb.ca.gov/fuels/lcfs/contact.htm.

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[5] A suggestive reporting template for the itemized summary is available on the LRT home page and is also available on the LCFS Guidance Documents, User Guides, and FAQs webpage.

APPENDIX A

Pursuant to section 95483(c)(1)(A), upon California Public Utilities Commission (CPUC) approval of Pacific Gas and Electric's, Southern California Edison's, and San Diego Gas and Electric's filing(s) to initiate a statewide point of purchase rebate, all opt-in EDUs must contribute a minimum percent of base credits for residential EV charging (or net base credit proceeds) to provide a statewide point of purchase rebate funded exclusively by LCFS credit proceeds, as per the contribution tabulated below:

EDU category	CFR % Contribution (2019-2022)	CFR % Contribution (2023 and onwards)
Large Investor-owned Utilities	67%	67%
Large Publicly-owned Utilities	35%	45%
Medium Publicly-owned Utilities	20%	25%
Small Publicly-owned Utilities	0%	2%