

Low Carbon Fuel Standard Workshop



JULY 31, 2019
SACRAMENTO, CA

1

Workshop Agenda

- April 5th Workshop Recap
- Changes to Staff Concept
- Clean Fuel Reward Program
- Q&A



2

April 5th Workshop Recap

3

Board Resolution 18-34

“[T]he Board directs the Executive officer to monitor the cost containment provision of the Low Carbon Fuel Standard, including the Credit Clearance Market, and to propose technical adjustments through future rulemaking if needed to further strengthen the cost containment features of the program.”



4

Staff Concept: Principles

- Strengthen cost containment features of the program
- Enable parties subject to credit clearance market (CCM) to fully retire all outstanding deficits annually
- Limit credit price volatility in the regular LCFS credit market
- Maintain the current stringency of the LCFS program in terms of estimated GHG reductions between 2020 and 2030



5

Staff Concept: April 5th Workshop

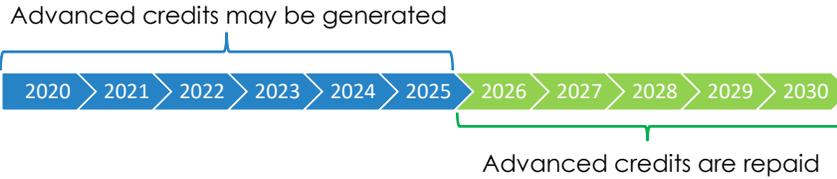
- **Maximum Credit Price:** Limit all credit transactions between entities to no more than the CCM maximum price (\$200 in 2016 \$ indexed for inflation)
- **Advance Credits:** LCFS credits that will be issued to ensure there are sufficient credits to meet all obligations in the CCM. These credits would be repaid by reducing future credit issuance from base non-metered residential electricity
- **Compliance Plans:** Fuel reporting entities participating in two consecutive CCMs will be required to provide a report to CARB
 - Detailed plans to meet annual obligation in the future
 - Reports would be publicly posted for transparency



6

April 5th Staff Concept: Advance Credits

- Credits would be advanced from the period of 2026 – 2030 to meet any unmet annual deficit obligation for the period of 2020 – 2025



- The number of credits that may be advanced would be limited to a maximum amount of 10 million credits, cumulatively



April 5th Staff Concept: Advance Credits

- Advance Credits will be repaid by reducing future utilities' base residential credit generation for electricity using the following schedule:

Year	% of total advance credits to be repaid
2026	5%
2027	10%
2028	20%
2029	30%
2030	35%

- Each utility's future base electricity credits will be reduced by the same percentage



Changes to Staff Concept

9

Staff Concept: Borrowing Window

- Name changed from “Advanced” to “Borrowed” Credits
- Borrowing window no longer fixed from 2020 – 2025
- Potential borrowing window will be a period of six years which commences when the first borrowed credit is issued
- Repayment will follow the same schedule, but will occur over the five years following the end of the borrowing window
- This change will provide increased flexibility to match the timing of a potential short-term credit shortfall



10

Staff Concept: Borrowing Window

For example, if the first borrowed credits are issued in 2022:

- Borrowing window would last from 2022 – 2027
- Repayment schedule would then be as follows

Year	% of total borrowed credits to be repaid
2028	5%
2029	10%
2030	20%
2031	30%
2032	35%



11

Distribution of Borrowed Credits: First Option

- All proceeds from borrowed credits are used for Clean Fuel Reward (CFR) statewide point-of-purchase rebate program
- Borrowed credits will be issued to a single utility
- Pros: May increase rebate amount in CFR substantially (if credit borrowing occurs). Very simple to implement as a single utility would be required to sell borrowed credits in the CCM
- Cons: Proceeds from borrowed credits would not be available to other utility programs



12

Distribution of Borrowed Credits: Second Option

- Borrowed credits will be issued to Large IOUs and POUs using same allocation as for base residential credits. Other utilities can opt-in to participate, if desired
- Utilities then contribute their designated allocation percentage of revenue to the CFR
- Pros: Builds upon existing LCFS requirements for division of credit proceeds between CFR and other utility programs
- Cons: Smaller increase in CFR rebate amount (if credit borrowing occurs). Requires many utilities to participate in the CCM



13

Staff Concept: Limiting Invalidation Liability

- Buyers are obligated to purchase their pro-rata share of credits in the CCM, and therefore do not have discretion over who they buy from, as they would in the day-to-day market
- Staff concept - If credits purchased in the CCM are later determined to be invalid, CARB will not invalidate from buyers
- Third party verification will ensure decreased risk of invalidation



14

Staff Concept: Listing the Number of Needed Credits for CCM Participants

- Staff is considering removing the requirement that CARB will publicly list the number of credits that a regulated entity must purchase in the CCM
- Entity credit account balances are market-sensitive information
- Releasing this information may place entity at a disadvantage in the market in future years



15

Staff Concept: Compliance Plan

- Previous staff concept proposed that entities participating in the CCM for two consecutive years would submit a report on their compliance plan that will be posted on CARB's website
- These plans are expected to be detailed and contain confidential business information
- To protect confidential business information, staff is considering informing the public that compliance plans have been submitted and reviewed by CARB, rather than publicly posting these plans



16

Staff's Concept: Maximum Price in Day-to-Day LCFS Market

- No change since earlier workshop
- Price of LCFS credit transactions would be capped at \$200 in 2016 dollars, indexed for inflation



17

Staff Concept: CFR Clarification

- Staff is considering clarifying that credits generated from non-metered residential electricity within the service area of EDUs that do not opt-in to the LCFS must be used to fund the Clean Fuel Reward program
- Staff is considering distributing credits to a single utility, which will direct credit revenue to the CFR program



18

Discussion and Questions

Thank You

Please submit feedback by August 14 @

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