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April 24, 2019

Mr. Jim Duffy
Chief, Transportation Fuels Branch
California Air Resources Board
1001 I St, Sacramento, CA 95814

RE: Comments on Staff Concepts for Low Carbon Fuel Standard Cost Containment

Dear Mr. Duffy:

Thank you for the opportunity to comment on the Concepts for the Low Carbon Fuel Standard (LCFS) Cost Containment, presented by California Air Resources Board (CARB) staff on April 5, 2019. The LCFS has been an important program for accelerating the use of alternative fuel and appreciate that CARB is looking at ways to modify and improve the program as technologies and fuels have continued to advance.

SoCalGas supports a price cap on LCFS credits. A cap can help to stabilize the credit market as carbon intensity limits are ratcheted down through 2030. Stabilizing the market will also create financial certainty for long term investments into alternative fuel. In addition to a cap, a price floor should also be considered to provide further stability of the credit market.

SoCalGas would also like more information on how a cap would be determined as well as analysis on how the cap at different levels would potentially impact the credit market. While emulating the cap for the credit clearance market is an adequate starting point for determining a cap, several levels of the cap and their expected impacts to the credit market should be analyzed.

CARB staff also presented a concept to advance LCFS credits if triggered by a deficit market. Advancing credits may prove to be a useful concept in the event that there is a deficit market. However, the concept proposed only contemplated advancing credits to electric utilities. Only allowing one fuel type to advance credits gives one fuel type a competitive advantage over others.

Rather than predetermining which entities can advance credits, CARB should develop criteria that qualifies entities to advance credits and make advancing credits available to any and all parties that meet the criteria. SoCalGas would welcome the opportunity to work with CARB staff to develop the criteria.

Thank you again for the opportunity to provide comments. We look forward to working with you in further developing these new concepts for the LCFS.

If you have any questions, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'KM' or similar initials, written in a cursive style.

Kevin Maggay
Energy and Environmental Affairs Program Manager