



2929 Allen Parkway, Suite 4100, Houston, TX 77019

August 14, 2019

Jim Duffy  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

Via E-Submittal: [LCFSworkshop@arb.ca.gov](mailto:LCFSworkshop@arb.ca.gov)

RE: Potential Cost Containment Revisions to the LCFS

Dear Mr. Duffy:

Trillium appreciates the opportunity to comment on the refined concepts presented in the July 2019 workshop<sup>1</sup>. We believe cost containment is an important issue, but it must be done correctly, so we will continue engaging in this Low Carbon Fuel Standard (LCFS) informal rulemaking process. Trillium, and the Love's family of companies, are committed to building the infrastructure, and using the low-carbon fuels necessary to help the state achieve its decarbonization and clean air quality goals. We support all forms of clean (low-carbon) transportation solutions including: renewable diesel, hydrogen fuel cell, battery electric (from renewable sources), biodiesel and renewable natural gas (RNG).

We must continue to express our strong opposition to the firm price cap proposed for LCFS Credits, as well as serious concerns about funding the Credit Clearance Market (CCM) based on future utility credit generation. Both proposed measures would distort markets and hinder private investment. We also continue to believe that a price cap on daily transactions would be extremely problematic to enforce fairly, especially for bundled CI-fuel transactions.

The firm price cap for LCFS Credits runs counter to the stated mission of the LCFS program of creating "economic development opportunities and reduc[ing] emissions".<sup>2</sup> New technologies, new fuels, and customers' adoptions of the same require significant investment by private companies and vehicle fleets—investments Trillium/Love's is prepared to make. Adding a price cap shows companies considering alternative fuel investments that CARB stands ready to intervene if market prices become subjectively unpopular. These market distortions signal the market and will hinder near-term investments.

At the workshop, it was noted that CARB is not interested in looking at contract details, but that is precisely what would be needed to ensure that a price on "carbon" is not exceeded. As an example of how complex such a review can get, Trillium shares LCFS "value" with its RNG customers in California. A true exchange of carbon value could flag and potentially reject such trades.

The hard price cap proposal also creates unintended consequences that will further distort the LCFS program and discourage further investment, including asymmetric investment risk associated with holding LCFS credits, potential upside vs. downside capital risk, and more.

We must also express reservations about funding the CCM based on future utility credit generation. One major issue with the current design of the CCM is that there is no guaranteed credit funding mechanism. The staff proposal of "Borrowed Credits" is a novel and interesting approach. *If such an approach was implemented, and therefore sufficient LCFS credits were available to those*

---

<sup>1</sup> [https://ww3.arb.ca.gov/fuels/lcfs/lcfs\\_meetings/073119presentation.pdf](https://ww3.arb.ca.gov/fuels/lcfs/lcfs_meetings/073119presentation.pdf)

<sup>2</sup> <https://www.arb.ca.gov/fuels/lcfs/eos0107.pdf>



2929 Allen Parkway, Suite 4100, Houston, TX 77019

*entities that needed them, there would not need to limit trades in the open market.* The CCM would function as the cost-containment mechanism it was meant to be, while leaving the “market” side of the regulation to operate as it was intended—to incent investment in low-carbon technologies and fuels. Trillium appreciates the other suggested changes which are intended to help the CCM be more commercially functionable.

Trillium does NOT support a hard price cap, but sees potential opportunities to improve the existing CCM. If CARB decides to move forward on this cost containment rulemaking at this time (it could certainly be delayed and incorporated into the next round of rulemaking), we would recommend focusing on the CCM and dropping the hard price ceiling.

California is leading the country in the LCFS policy arena. Other jurisdictions are following the State’s lead, so keeping private capital “in the game” is really critical. We look forward to the opportunity to continue engagement on this effort. If you have any questions, please contact Bill Zobel at [WAZobel@Loves.com](mailto:WAZobel@Loves.com).

Sincerely,

/s/

JP Fjeld-Hansen  
Vice President, Trillium