

## **Alert | Energy & Natural Resources**



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### **California Air Resources Board Begins Process to Update Low Carbon Fuel Standard Regulations**

On Dec. 7, 2021, the California Air Resources Board (CARB) began the process of updating California's Low Carbon Fuel Standard (LCFS) by holding a virtual workshop where CARB staff discussed their initial amendment proposals. The goal of the LCFS update is to align the LCFS with CARB's AB 32 Scoping Plan Update, which will be finalized in 2022. Any changes that result from this effort may be implemented by 2024.

AB 32, the California Global Warming Solutions Act of 2006, created a comprehensive, long-term approach to addressing climate change by aiming to improve the environment and natural resources while maintaining economic prosperity. Specifically, AB 32 aims to mitigate risk associated with climate change by reducing greenhouse gas (GHG) emissions, improving energy efficiency, expanding the use of renewable energy resources, improving clean transportation, and reducing waste. The law also requires CARB to prepare and approve a Scoping Plan to implement these emissions reduction measures and to update that plan every five years. While the 2017 Scoping Plan Update set forth a plan for meeting California's 2030 goal of reducing GHG emissions to 40% below 1990 levels, the 2022 Scoping Plan Update will lay out a path for achieving carbon neutrality by no later than 2045.

The LCFS program is a market-based program that focuses specifically on reducing the carbon intensity (CI) of transportation fuels used in California. Created in 2009 and implemented in 2011, the program provides credit generation opportunities to incentivize the production and use of low carbon fuels for

transportation. Low-carbon fuels used for transportation in California can generate LCFS credits based on the difference between the CI of the alternate fuel and a declining CI benchmark adopted for the fossil transportation fuel it replaces. Importers, refiners, and wholesalers of gasoline and diesel can purchase the LCFS credits generated by alternate fuel producers to comply with the declining CI benchmark.

At its LCFS workshop, CARB outlined potential changes to the LCFS program which aim to:

- Align the program with long-term statewide climate goals;
- Incentivize private investment in low carbon fuels;
- Accelerate the transition to zero emission vehicles in line with Executive Order N-79-20;
- Support the exportability of the program to other jurisdictions;
- Harmonize the program with federal policies;
- Update the LCFS program to reflect changes in technologies, data, and stakeholder feedback; and
- Streamline implementation of the new LCFS standards.

The proposed changes to the LCFS program could have significant impacts on sellers, refiners, and producers of transportation fuels used in California. Among other things, CARB initially envisions rule updates that would:

- Establish declining post-2030 CI targets;
- Strengthen pre-2030 CI targets;
- Expand the allowance for book-and-claim accounting to low-CI hydrogen injected into regional hydrogen pipelines; and
- Establish better support for the installation of electricity storage for excess renewable production.

Businesses in all sectors, especially transportation-related businesses, may wish to weigh in on the LCFS program updates. CARB hosted the most recent [program workshop](#) Feb 15, 2022, to discuss the Scoping Plan's impact on public health. CARB is accepting comments on the workshop until March 7, 2022.

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