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AJW comments on the Clean Transportation Investment Plan 2020-23

Additional submitted attachment is included below.

March 30, 2020

Patricia Monahan
California Energy Commission
1516 9th St
Sacramento, CA 95815

RE: Clean Transportation Program Investment Plan Update

Dear Commissioner Monahan,

Thank you for the recent workshop on the Clean Transportation Program Investment Plan, and the opportunity to provide written comments. AJW's clients are technology innovators in the energy and environment space. Our clients' products and interests range from lower-carbon solar, Direct Air Capture to liquid fuels, biofuels, vehicle technologies that lower NOx and $PM_{2.5}$, and more. These comments are offered in the general interest and spirit of multiple clients working to decarbonize transportation, not a single company.

Overall, the move to a multi-year funding plan is a welcome change, and will not only be a more efficient process, but also allow for better business planning. We are also enthusiastic to see CEC consider additional funding mechanisms like production incentives and loan guarantees. These two funding mechanisms in particular have proven successful at stretching public dollars farther. For example, CAEATFA's 2013 PACE loan loss program of $10 million has more than $3.4 billion in enrolled PACE projects, without a single claim paid out to date.[1] We would be eager to help CEC further develop these concepts to maximize public benefit with minimal risk. We encourage CEC to also study how a state green bank might help finance climate-related projects, primarily by leveraging private capital for transportation and other clean energy projects.

We offer the comments below for specific investment plan sections:

Medium- and Heavy-duty Infrastructure

AJW supports the Energy Commission's plan to dramatically increase medium- and heavy-duty infrastructure funding over the next four years and allocating a substantial portion (35%) of the total investment plan dollars to this important category. We also support the flexibility built

[1] https://sor.senate.ca.gov/sites/sor.senate.ca.gov/files/policy%20matters%2003.19%20final.pdf

into the medium- and heavy-duty infrastructure funding allocation for demonstration projects to remain eligible.

Reducing NOx and $PM_{2.5}$ in our communities, particularly within the San Joaquin Valley and South Coast Air Basin, is of critical importance to our public health and our commitment to meeting future air quality standards. Therefore, rather than funding only zero-emission vehicle infrastructure for the medium- and heavy-duty sector, we recommend that CEC instead broaden the stated funding allocation to include near-zero technologies as well. To maximize emission reductions, we would like to see solicitations prioritize projects based on total emissions reduced per dollar spent. In many cases, low-carbon technologies are more economical, and may allow greater penetration of new and improved vehicles, and ultimately greater emissions reductions. This may include infrastructure to support PHEVs, hybrids, natural gas trucks, E85, and more. Based on our read of state laws and milestones, this approach is consistent with air quality goals in statute. AJW is aligned with CEC's goal of maximizing emissions reductions, and we recognize that the funding needs outweigh available resources. For this reason, we would like to see the funding allocation include zero- and near-zero infrastructure projects, so that projects could compete based on the emission reductions from the forecasted near-term utilization rates.

<u>Hydrogen Refueling Infrastructure</u>
Once the state has fulfilled its obligation to fund the development of 100 publicly available refueling stations, CEC could consider transitioning to one of the aforementioned funding mechanisms designed to leverage greater amounts of private capital. A state-backed funding mechanism, in addition to the LCFS credits and Hydrogen Refueling Infrastructure credit under the LCFS, provides an attractive package of incentives for private capital to continue building out hydrogen infrastructure across the state.

<u>Alternative Fuel Production and Supply</u>
The Low Carbon Fuel Production Program (LCFPP) is an important program to encourage in-state production of low-carbon fuels. Unlike other incentive programs (e.g. LCFS), the LCFPP is solely available to California-based projects and provides an important market signal for renewable fuel producers. As the draft investment plan notes, fossil-based gasoline and diesel use in California remains significant. According to CARB, by 2050 at least 40% of the state's light duty fleet will still rely on combustion. The transition to zero-emission vehicles will necessarily be gradual, meaning that there will be sustained demand for liquid fuel products for a least a couple of decades. It is also widely acknowledged that some sectors may never electrify and will require liquid alternatives. These longer-term alternatives are just beginning to commercialize (even within California) but are still at nascent stages. Many companies' technologies are finally at a point of equilibrium where they can begin producing larger volumes. The LCFPP remains the only grant program in California that is available to renewable liquid fuel producers.

That the Energy Commission believes it is not seeing rapid improvement in carbon intensity or cost-effectiveness is more of a question of relativity, not reality. Scaling breakthrough technologies is more difficult and expensive in the transportation fuel sector than many other technological sectors, making relative comparisons difficult. In reality, new liquid fuels are being developed which provide the same stability and energy characteristics of fossil counterparts, without all the pollution. This is being done in accordance to today's fair labor practices and environmental impact assessments. These are not small feats. Much of this development has occurred during a decade when crude oil prices have traded very low, making "cost-competitiveness" an ever-declining target. There are annual investments in many facilities, continually reducing carbon intensity in response to the LCFS signal. Despite challenging market conditions, renewable liquid fuels have increased production and decreased carbon intensity. Based on what AJW sees within its client pool, this category of energy producers has yet to reach market maturity.

As a result, AJW strongly encourages CEC to increase the funding for alternative fuels above $35 million, and keep the program restricted to the renewable fuels identified within Chapter 5 of the investment plan draft. There are significant programs that are available to zero-emission fuels like electricity. EV and infrastructure development is an important part of California's investment plan and deserves the $132 million designated in CEC's draft report. However, providing liquid alternatives for the portion of California's fleet that still relies on combustion is an equally important part of a diversified approach to reducing GHGs and improving air quality. Moreover, some portion of our economy (like aviation fuels) may remain reliant on liquid fuels for the long-term. By facilitating the development and commercialization of low carbon liquid fuels, California will further its mission of strengthening our economy by pioneering decarbonization solutions that can be used around the world. As such, the two investment pools should remain intact but separate.

Finally, as noted previously, AJW is supportive of the consideration of other funding mechanisms in addition to traditional grants. We believe that loan guarantees and production incentives might attract more private sector resources, stretch public dollars farther, and create a necessary boost for California-based production. This may help to offset some of the increased costs of operating in the state.

Thank you for considering these comments and perspectives. I am available for a follow-on conversation. I look forward to the next Advisory Committee meeting.

Best Regards,

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