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SoCalGas Comments on Recovery and Reinvestment Workshop

Additional submitted attachment is included below.



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May 3, 2021

California Energy Commission
Docket Unit, MS-4
Docket No. 21-TRAN-02
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: Comments on the Pre-Solicitation Workshop for the CEC Recovery and Reinvestment Initiative

Dear Hannon Rasool,

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide public comments on the California Energy Commission (CEC) Recovery and Reinvestment Initiative. California's economy has regained less than half of the 2.7 million jobs lost since the economic shutdowns began in response to the CO-VID 19 pandemic in March 2020.¹ To enable an economic recovery that benefits all Californians, public investment is needed to create well-paying jobs that provide economic opportunities in communities devastated by the pandemic. Dedicating \$10 million of the CEC's Clean Transportation Program (CTP) funds advances the public interest and promotes a full and equitable recovery of the pandemic.

Through our ASPIRE climate commitment, SoCalGas is working to achieve net zero greenhouse gas (GHG) emissions in our operations and delivery of energy by 2045.² Our commitment also includes transitioning our entire vehicle fleet to zero emissions by 2035, including passenger vehicles and our medium- and heavy-duty fleet. SoCalGas' commitment will accelerate Governor Newsom's targets for trucks in 2045 and exceeds the California Air Resource Board's (CARB's) goal of turning over utility fleets to zero emissions by 2040. Hydrogen will be a significant part of California's and SoCalGas's future.

The Biden Administration is playing a vital role in signaling the private sector to undertake capital expenditures in hydrogen in its recent American Jobs Plan. To capitalize on the growing hydrogen

¹ California Employment Development Department (2021). California unemployment rate decreases 8.3% in March. See: <https://edd.ca.gov/newsroom/unemployment-march-2021.htm>

² SoCalGas Company, *ASPIRE 2045: Sustainability and Climate Commitment to Net Zero*, 2021. Available at https://www.socalgas.com/sites/default/files/2021-03/SoCalGas_Climate_Commitment.pdf.

economy and form effective public-private partnerships, SoCalGas recommends allocating at least 50 percent of the Recovery and Reinvestment funds to hydrogen projects. Hydrogen production represents a significant economic opportunity for California; however major investments have been made primarily outside of the State. Most notably, in November 2018, Air Liquide announced a \$150 million project in Nevada to build the first "world-scale" liquid hydrogen production unit dedicated to the Western U.S. market.³ While the project is in Nevada, it represents the first step to expand hydrogen supply to the Western U.S. This will enable the hydrogen market in California.⁴

The commercial and industrial segments of the California economy are a primary engine of the state's financial well being and prosperity. Because decarbonized molecules are necessary for the segments to continue to prosper while decarbonizing, SoCalGas also recommends building off the success of CTP's hydrogen refueling infrastructure program to build onsite electrolyzers to support the renewable hydrogen supply. Much of the hydrogen permitting process has been completed for refueling station and the infrastructure is already built. We believe that this would reduce the perceived supply chain issues, increase the renewable content of hydrogen, and enhance the value of the existing infrastructure.

Below are our comments to the selected discussion questions posed during the workshop.

Discussion Question Number 1: "Are these the right guiding principles?"

We believe that all CTP funds already prioritize equity, job creation, and economic development. For the Recovery and Reinvestment Initiative, implementation speed and job quality are the most important guiding principles.

Implementation Speed. How quickly investments can assist in the recovery of the pandemic is a critical principle. One potential option is to leverage existing infrastructure. For example, the CEC could provide an option of installing onsite hydrogen production at existing hydrogen refueling stations. Hydrogen production could be done using an onsite electrolyzer using solar or curtailed electric power. In addition to being implemented quickly, hydrogen production could potentially help to stabilize the grid, prevent the export of renewable electricity out of the State, and increase the renewable percentage of hydrogen in the fuel dispensed.

Job Creation. As noted in a recent McKinsey study found that by 2030, the hydrogen economy in the U.S. could generate an estimated \$140 billion per year in revenue and support 700,000 total jobs across the hydrogen value chain.⁵ By 2050, it could drive growth by generating about \$750

³ Jeff Stanfield, *Nevada allows liquid hydrogen manufacturer to get independent electric supply*, S&P Global Market Intelligence, 27 June 2019. Available at <https://www.spglobal.com/marketintelligence/en/news-insights/trending/jD82l4lVcUvZP96jDOOTMQ2>.

⁴ Air Liquide, *Press Release: Air Liquide committed to producing renewable hydrogen for the West Coast mobility market with new liquid hydrogen plant*, 8 October 2019. Available at <https://www.airliquide.com/united-states-america/air-liquide-committed-producing-renewable-hydrogen-west-coast-mobility-market>.

⁵ McKinsey & Company, *Roadmap to a US Hydrogen Economy: Reducing emissions and driving growth across the nation*, 2020. Available at <https://static1.squarespace.com/static/53ab1f6ee4b0bef0179a1563/t/5e7ca9d6c8fb3629d399fe0c/1585228263363/Road+Map+to+a+US+Hydrogen+Economy+Full+Report.pdf>.

billion per year in revenue and a cumulative 3.4 million jobs.⁶ Further, according to the Fuel Cell and Hydrogen Energy Association, “hydrogen energy is a solution for many difficult-to-decarbonize industries like transportation, electricity generation, and steel and cement production. The growth of the hydrogen industry will also lead to the creation of well-paying engineering, manufacturing, sales, and service jobs. That’s why it’s essential we invest in hydrogen now.”⁷

Additionally, consideration should be given to developing a skilled workforce that can meet the needs of today’s energy projects and those in the future. For example, organized labor raised concerns about job quality in the electric vehicle charger industry through the Investment Plan process during the summer of 2020. The International Brotherhood of Electrical Workers and National Electrical Contractors Associate submitted comments recommending the CEC to at a minimum allow for local governments to require an Electric Vehicle Infrastructure Training Program (EVITP) certification for clean transportation projects.⁸ Yet, it was through Assembly Bill 841 (Chapter 372, Statutes of 2020) that ultimately mandated EV charging infrastructure and equipment installation be done by at least one electrician with an EVITP certification.⁹ Certification processes create a skilled labor force, which benefits California’s economy today and in the future.

Discussion Question Number 2: “What project features work best to leverage private or other funds?”

In March 2021, the Biden Administration announced the American Jobs Plan (Plan), which is an investment plan aimed at creating millions of good jobs and rebuild the U.S.’s infrastructure.¹⁰ President Biden is asking Congress to invest \$35 billion in a full range of solutions to position the U.S. as global leaders in clean energy technology and clean energy jobs.¹¹ This includes “pairing an investment in 15 decarbonized hydrogen demonstration projects in distressed communities with a new production tax credit.”¹² As well as investing \$15 billion in demonstration projects for climate R&D priorities, such as hydrogen.¹³ Through the announcement of this Plan, the Biden Administration is playing a vital role in signaling to the private market to undertake capital expenditures in hydrogen. The CEC can use this momentum and build off already invested and utilized infrastructure for hydrogen. This can ensure that these funds have a site host buy in and a desire for success.

⁶ Ibid.

⁷ See Statement by Morry Markowitz, President of Fuel Cell & Hydrogen Energy Association (FCHEA) in News Release: Hydrogen and Fuel Cell Economy Could Support Million of Jobs by 2050, 13 April 2021. Available at <https://static1.squarespace.com/static/53ab1fee4b0bef0179a1563/t/6075cf52ea699973643db3b6/1618333522441/FCHEA-Campaign-Release-4.13.21.pdf>.

⁸ Enslow, Thomas on behalf of Adams, Broadwell, Joseph & Cardozo. Docket #19-ALT-01, TN# 232616, 4/1/2020 on the 2020-2023 Investment Plan Update for the Clean Transportation Plan

⁹ Assembly Bill 841 (Chapter 372, Statutes 2020) Energy: transportation electrification: energy efficiency programs: School Energy Efficiency Stimulus.

¹⁰ See The White House, Fact Sheet: The American Jobs Plan, 31 March 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

Discussion Question Number 3: “What aspects should CEC consider when evaluating ‘most impacted individuals and communities’ from COVID-19?”

According to the Public Policy Institute of California, “half of jobs lost...were in restaurants, entertainment and the arts, hotels and tourism, and other services such as salons or dry cleaning.”¹⁴ Employment in these hard-hit service sectors lags by about 30 percent.¹⁵ Further, according to the American Jobs Plan, “the past year has led to job losses and threatened economic security, eroding more than 30 years of progress in women’s labor force participation.”¹⁶ The CEC’s CTP is not set up to target the services sectors or tackle job losses in the women’s labor force with \$10 million in funds. As all Californians are in dire need of aid, the CEC should move quickly to allocate the monies on projects that will provide well-paying, lasting jobs and put Californians back to work today and in the future.

Discussion Question Number 4: “What key barriers are there to rapid project implementation?”

Permitting, design and construction can be significant barriers to rapid project implementation. Level 2 chargers and above, even for residential uses, require municipal permits and the timing varies greatly. In addition to permitting, larger, public charging stations require extensive design and construction as each site is unique and may or may not have available capacity, which would require additional infrastructure upgrades. Therefore, the concept of utilizing existing infrastructure locations would expedite projects.

Discussion Question Number 5: “Which technologies are most able to roll out rapidly?”

It is unclear if a specific technology is inherently able to roll out faster than another, but specific applications of technologies could be. Therefore, SoCalGas is not suggesting all hydrogen technologies, but more specifically hydrogen production at existing locations that can roll out rapidly.

Discussion Question Number 6: “What metrics should be tracked to best measure success for a project?”

There should be metrics to best measure the success of these funds. The following are a few metrics:

1. Speed of spending the funds
2. GHG emissions reduction per CTP dollar spent, assuming rationale utilization rates
3. Well-paying, middle-class job creation for the construction and operation sectors

¹⁴ Sarah Bohn, et al., *One Year Later, Is California on the Road to Recovery?*, April 2021. Available at <https://www.ppic.org/blog/one-year-later-is-california-on-the-road-to-recovery/>.

¹⁵ Ibid.

¹⁶ See The White House, Fact Sheet: The American Jobs Plan, 31 March 2021. Available at <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>.

Thank you again for the opportunity to comment on this important initiative. SoCalGas offers these comments in the spirit of collaboration and investment diversification and hopes the CEC sees value in building off their already successful hydrogen refueling infrastructure program.

Respectfully,

A handwritten signature in black ink, appearing to be 'KM' or similar initials, followed by a period.

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