The Honorable Catherine Blakespear March 11, 2025
Chair, California Senate Environmental Quality Committee
1021 O Street, Room 3230
Sacramento, CA 95814

RE: SB 2 (Jones) Low Carbon Fuel Standard: voiding of amendments - OPPOSE

Dear Chair Blakespear:

On behalf of the 18 undersigned organizations, we must respectfully write in opposition to SB2, which would threaten our state's well established and very successful Low Carbon Fuel Standard (LCFS) program, significantly increase greenhouse gas emissions (GHG), and disincentivize investment, while doing little to address the cost of gasoline.

As a climate leader, California developed the first in the nation LCFS program that is now being emulated in three other U.S. states and Canada, and is being considered by many more states. The LCFS is designed to reduce the carbon intensity of transportation fuels, helping California lead the nation in the fight against climate change. By promoting cleaner, renewable energy sources and reducing greenhouse gas emissions through a market-based solution, the LCFS contributes to a healthier environment for all Californians and creates a competitive marketplace. It is imperative that California continue to lead the nation in climate policy and not minimize this successful program. California law requires at least a

40% economy-wide reduction in GHG emissions, a target that would be impossible to achieve without a healthy and successful LCFS program.

The amendments that were adopted by the California Air Resources Board on November 8th, 2024, concluded a public process that took over three years and resulted in business certainty for project investment and development. Without these amendments, investment is likely to substantially diminish or cease, impacting new and stranding existing projects.

The LCFS before the amendments were adopted experienced historically low credit prices which had a significant impact on the development and deployment of GHG reduction projects in hydrogen, organic waste methane capture, biodiesel production, and ZEV fueling infrastructure. By voiding the amendments, credit prices will revert to historic lows. In fact, credit prices remain low but had increased from the mid-$40s to low $70s when the amendments were adopted, demonstrating how much they were needed. Voiding the amendments would be an unsustainable path and will substantially harm the LCFS program, including the capture of methane.

Supporting the new Carbon Intensity (CI) targets in the LCFS rulemaking is essential to accelerating the shift away from petroleum fuels. By strengthening these targets, California can boost the adoption of cleaner, low-carbon alternatives, reducing the state's reliance on petroleum-based fuels. In contrast, voiding the amendments would allow petroleum fuels to remain in the market longer, slowing the state's decarbonization efforts and prolonging the use of higher-carbon fuels. Maintaining the new CI targets will foster ongoing innovation and investment in renewable fuels, reinforcing California's commitment to a sustainable, low-carbon energy future.

Despite recent criticism of the LCFS and the amendments, recent analyses have shown that retail fossil fuel prices are strongly influenced by other factors (e.g., global events, holiday weekends, seasonal fluctuations, refinery disruptions and decisions about production that affect supply, refinery pricing decisions, seasonal fuel blends, and taxes), and fossil fuel producer pricing strategies are complex, reflecting local and regional market conditions. The reality is that the actual cost pass-through from LCFS to retail gasoline or diesel prices is indeterminate and **there is no direct correlation between historical LCFS credit prices and gasoline prices.**

We strongly disagree with the notion that the LCFS is a major driver of overall retail fuel prices in California. The LCFS is a critically important program to meeting our climate goals and decarbonizing our economy. It is imperative that California continue to lead the nation on climate policy and not minimize this successful program. Proposals like SB 2 threatens investor confidence in the program, which is ultimately needed to drive market-based solutions to reducing our GHG emissions as much as possible.

For these reasons we must respectfully oppose SB 2.

Sincerely,

Michael Boccadoro, Agricultural Energy Consumers Association

Brian Casey, Head of Government Affairs, U.S. Energy

Will Charlton, President, Digester Doc

Jeff Earl, Director of State Governmental Affairs, Clean Fuels Alliance America

Michol Ecklund, Executive Vice President and General Counsel, Anew Climate

Quentin Foster, Chief Government Affairs Officer, H Cycle

Daniel J. Gage, President, The Transport Project

Carlos Gutierrez, Executive Director, California Advanced Biofuels Alliance

Tim Kamermayer, Director, Policy and Regulatory Affairs, Green Hydrogen Coalition

Ryan Kenny, Policy Director – Western U.S., Clean Energy

Julia Levin, Executive Director, Bioenergy Association of California

Scott Lewis, President, World Energy Net Zero Services

Tim McRae, Vice President for Public Affairs, California Hydrogen Business Council

Nicole Rice, President, California Renewable Transportation Alliance

Patrick Serfass, Executive Director, American Biogas Council

Sean Trambley, Director, California Policy, SMART Policy Group

Sam Wade, Vice President of Public Policy, Coalition for Renewable Natural Gas

Christine Wolfe, Director of Government Affairs, California, Hawaii, and Nevada, WM

Cc: Honorable Members, California Senate Environmental Quality Committee

The Honorable Brian Jones, Minority Leader, California State Senate