May 16, 2025

The Honorable Anna Caballero
Chair, Senate Appropriations Committee
State Capitol, room 412
Sacramento, CA 95814

RE: SB 348 (Hurtado) Low Carbon Fuel Standard – OPPOSE

Dear Senator Caballero,

On behalf of the undersigned organizations, we must respectfully write in opposition to SB 348 (Hurtado), which requires the California Air Resources Board (CARB) to make several structural changes to the Low Carbon Fuel Standard Program (LCFS).

Like the Renewable Portfolio Standard (RPS), the LCFS is a sector-specific pillar that works in tandem with the Cap and Trade to support California's greenhouse gas (GHG) reduction mandate. Legislators dramatically increased the ambition of California's GHG reduction program in 2022 when they passed AB 1279 (Muratsuchi) which requires an 85% reduction in GHGs by 2045 based on 1990 levels and requires sustained net-negative emissions thereafter.

Transportation is the largest source of in-state emissions, at nearly 40% based on the most recent emissions inventory report from CARB. It is responsible for almost 50% of NOx emissions and just under 1/3 of particulate matter emissions.[1] In order to meet these ambitious carbon neutrality goals, CARB adopted a series of programmatic changes in 2024 based on extensive public input over a 3-year long process.

Unlike other transportation-related programs, the LCFS is the only one designed with the statutory obligation to "achieve the maximum technologically feasible and cost-effective greenhouse gas reductions".[2] On a per ton basis of emissions reduced, the LCFS is one of California's most cost-effective carbon reduction programs.[3] We appreciate the author's desire to ensure consumers are not overly burdened with high living costs resulting from California's climate policies and have included below CARB's analysis of LCFS prices in relation to fuel costs.

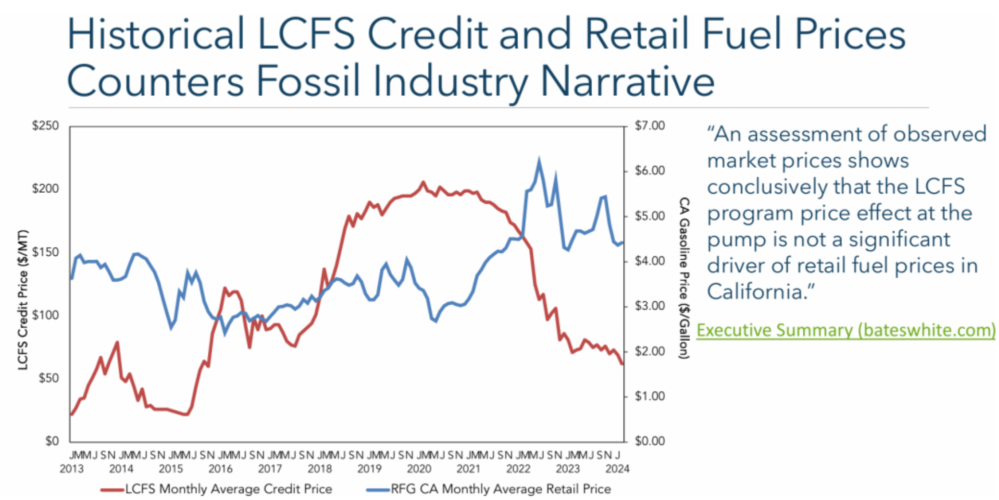

Figure 1 - CARB, 2024

Despite criticisms of the LCFS, 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

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[1] California's GHG Inventory 2000-2022 (2024 Edition)

[2] Assembly Bill 32 (Núñez, Chapter 488, Statutes 2006), Health and Safety Code Section 38560

[3] Elevate Climate's 2024 Analysis of Climate Change Programs. *This analysis shows an average cost of $60 per ton of CO_2e for the LCFS compared to the average of $720-$4,875 for the California Solar Initiative, Mobile Source Program (Transportation Equity, HD ZEVs, HD retire & replace), Advanced Clean Car II, Zero-Emission Forklifts, and In-use Locomotive laws and regulations. This puts the LCFS with the Cap-and-Trade and the Renewable Portfolio Standard as one of California's most cost-effective greenhouse gas reduction programs.*

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.

The LCFS is the most influential regulation related to alternative fuels.

It is singularly responsible for the increase in alternative fuels, up to 23% in 2023 compared to 5% in 2006. It has driven a 15.3% reduction in the carbon intensity of California's fuels mix, has displaced over 31 billion gallons of petroleum fuel and 75% of fossil diesel has been displaced by biomass diesel, resulting in significant particulate matter and NOx reductions.

The LCFS has driven private capital toward the build-out of publicly available hydrogen fueling stations and DC fast chargers. In 2021, when the LCFS was at its strongest, 92% of hydrogen fuel dispensed in California was renewable and fuel costs were at parity with gasoline on a per mile basis! Because of the LCFS, utilities have issued 730,000 rebates for pre-owned electric vehicles and drayage trucks as well as incentives for public and private charging infrastructure.

The LCFS is also critical in California's fight against short-lived climate pollutant strategies. In its 2023 analysis of SB 709 (Allen), the Senate Appropriations Committee noted that "without LCFS revenue to incentivize financing of digester projects, the State may need to fund methane mitigation projects including enteric and additional digester projects to ensure the targets are achieved. ARB estimates the capital expenditures or other up-front costs for these projects could range from $3.2 to $4 billion, not including ongoing operational costs." Without the LCFS, that $3 - $4 billion would come from consumers in the form of higher meat, cheese and milk product prices.

The changes proposed in SB 348 will not only impact costs to consumers, but very likely kill the program all together.

One of the greatest benefits to the LCFS is that it is outcome specific, not pathway specific. It focuses on the carbon intensity of all fuels used across all vehicle types providing each pathway with an objective score and over time, total carbon emissions from transportation decline. As amended, SB 348 requires CARB to prioritize policy changes that directly benefit individual drivers, including multiplying credit generation for certain classes of pathways that are aligned with state policy priorities. This undermines the technology neutrality of the program, which has allowed California drivers, not the state, to determine which alternative technologies they prefer. If credits for zero emission vehicle fuels are multiplied what then is the impact to drivers of vehicles that utilize renewable natural gas? Will production and utilization decrease? Will we reject the benefits that come with biomass diesel's displacement of petroleum fuel? What is the impact on drivers of combustion engines that consume petroleum-based fuels? Will their costs increase or decrease? Who are the individuals SB 348 seeks to benefit? California has made incredible strides in the adoption of zero emission vehicles, yet they still represent a fraction of vehicles on the road. Are we directly benefiting those drivers or are we providing relief to the drivers of combustion engines utilizing petroleum fuels? It is unclear how this kind of interference will reduce the program's financial burden on drivers or even what class of drivers will be targeted. Additionally, in its April 10, 2024 workshop CARB analyzed a more selective pathway approach and the analysis found that preserving more diverse compliance pathways results in greater GHG reductions, lower criteria emissions and associated health costs, less petroleum use, and lower costs overall.[4]

SB 348 also requires CARB to prioritize in-state projects which directly conflicts with two decisions from the 9th Circuit Court of Appeals upholding California's LCFS specifically because it did not facially discriminate against out-of-state fuels. Looking at the purpose of the regulation, the Court concluded that "CARB's stated purpose [for the LCFS] was genuine. There was no protectionist purpose, no aim to insulate California firms from out-of-state competition." As amended, SB 348 very clearly aims to insulate California firms from out of state competition which conflicts with the U.S. Constitution's Commerce Clause. Additionally, these changes would provide legal grounds for the U.S. Attorney General to pursue action against the LCFS based on the April 8, 2025 Executive Order from President Trump related to state climate programs.[5] If signed into law, California risks losing one of its most cost-effective programs targeted at the greatest source of carbon, particulate matter and NOx emissions.

The LCFS has become a major driver of emission reductions in the transportation sector. Whether it is the production of lower-carbon and renewable fuels or enabling greater adoption of zero emission vehicles, the LCFS contributes to a healthier environment for all Californians and creates a cost-competitive marketplace for alternative fuels while also preserving and creating jobs. Unfortunately, SB 348 jeopardizes these benefits by creating investment uncertainty for a market poised to drive the transition to cleaner methods of transportation.

It is for these reasons we oppose SB 348 (Hurtado) and respectfully request your NO vote in Senate Appropriations Committee.

Sincerely,

Teresa Cooke
Executive Director
California Hydrogen Coalition

Nicole Rice
President
California Renewable Transportation Alliance

Reed Addis
Government Affairs
Electric Vehicle Charging Association

Carlos Gutierrez
Executive Director
California Advanced Biofuels Alliance

Chris Roach
Chief Executive Officer
Monarch Bioenergy

Cory-Ann Wind
Director of State Governmental Affairs
Clean Fuels Alliance America

Scott Lewis
President
World Energy Net Zero Services

Tim McRae
Vice President for Public Affairs
California Hydrogen Business Council

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[4] Slides 23, 29 and 31 at https://ww2.arb.ca.gov/sites/default/files/2024-04/LCFS%20April%20Workshop%20Slides.pdf
[5] https://www.whitehouse.gov/presidential-actions/2025/04/protecting-american-energy-from-state-overreach/

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

Brian Casey
Head of Government Affairs
U.S. Venture Inc.

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

Laura Renger
Executive Director
California Electric Transportation Coalition

Patrick Serfass
Executive Director
American Biogas Council

Nicolina Hernandez
Regional Director State Government Affairs
Toyota Motor Company

Matt Miyasato, Ph.D.
Chief of Public Policy and Programs Officers
FirstElement Fuel

James Kast
Executive Director of Hydrogen
Iwatani Corporation of America

Caleb Ragland
President
American Soybean Association

Derek Winkel
Chief Operating Officer
Oberon Fuels

Jeff Clarke
Vice President, Regulatory & Government Affairs
And General Counsel
The Transport Project

Adam Comora
Co-Chief Executive Officer
OPAL Fuels

Robin Vercruse
Executive Director
Low Carbon Fuels Coalition

Brian Foody
Chief Executive
Iogen

Erik Neandross
TRC Companies

Christine Wolfe
Director of Government Affairs, California
Waste Management

David Bonelli
Partner, Venable LLC
Powering America's Commercial Transportation

Amanda Myers Wisser
Director, Policy and Regulatory Affairs
WeaveGrid

Andrew Brosnan
President, Low-Carbon Fuels
Anew Climate

Devin Mogler
CEO
National Oilseed Processors Association

Eddy Nupoort
Sr. Director, Sales & Business Development
Americas
Cavendish Hydrogen Inc.

Dave Meyer
Director, Transportation Markets
3Degrees

John Thornton
President
CleanFuture

Shashi Menon
CEO
EcoEngineers

Chris Malone
VP of Biofuels and Market Development
Indigo Ag

Stefan Unnasch
Managing Director
Life Cycle Associates

Christina Cornejo
Public Affairs Manager
Neste

Dan Lieberman
Climate Change, Sustainability and Policy Leader
Nufarm

Christopher Efird
Chief Executive
NXTClean Fuels

Josh Wilson
Senior Regulatory Counsel
Poet

Scott Coye-Huhn
Vice President
SCS Global Systems