CLEAN FUELS MARKET UPDATE

NOVEMBER 2021

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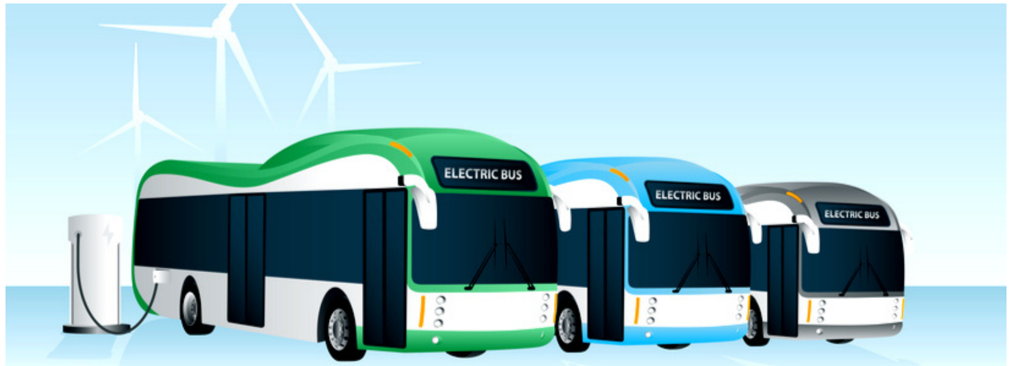
INDUSTRY HIGHLIGHTS

- On Friday, November 5th, the House passed the **$1.2 trillion infrastructure bill**. The bill outlines $7.5bn for EV infrastructure, $5bn for electric and hybrid school buses, $2.5bn for ferries, and $39bn to modernize public transit with funding allocated for zero or low emission buses.
- Wave 3 of **HVIP** funding on October 28th was fully subscribed in minutes, signaling the increasing demand for zero-emission HDVs.
- Hertz plans to order **100,000 Tesla Model 3 cars**, which would cost over $4 billion and be the most electric cars purchased at once by any rental car company.
- The US Department of Energy awarded more than $127mm to fund the **SuperTruck 3 program**, aimed at increasing medium- and heavy-duty truck efficiencies and reduce transportation emissions.

SRECTRADE HIGHLIGHTS

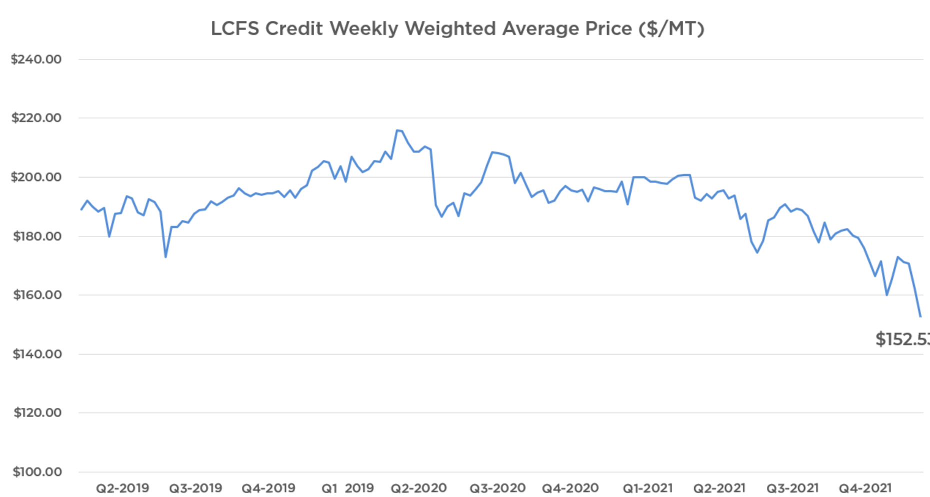
- SRECTrade has joined **Xpansiv** to lead the transition to a low-carbon future. Now wholly owned by Xpansiv Ltd., SRECTrade, Inc. enables clients to access, manage, and monetize environmental commodities globally. Read the full announcement **here.**
- On October 6, 2021, **Lazer Spot** announced its partnership with SRECTrade to advise and manage the company's environmental commodities as part of further accelerating Lazer Spot's long-time drive to reduce vehicle emissions. View the full press release **here.**



RECENT CALIFORNIA LCFS CREDIT PRICE TRENDS

- Since August 2021, the California LCFS market has seen slightly more volatile credit pricing, fluctuating between $142.50 and $183.
- Credit prices held steady in the low $180s through August, at which point the market experienced a steady slide to the mid $150s before the credit issuance at the beginning of October. Through the middle of October there was a slight rebound in pricing to the mid $170s followed by a 15-20% decline through the middle of November to the low to mid $140s.
- The market has been driven by a slower rebound in gasoline and diesel demand from pre-pandemic levels as well as continued expectations of increases in future credit generation from a variety of low carbon fuel sources, including renewable natural gas, renewable diesel, and electricity.
- As credit supply continues its ascent, demand side factors continue to increase in future years as carbon intensity reduction requirements become stricter.
- CARB has explicitly signaled to the market their intent to set increasingly stringent requirements past 2030, a generally bullish signal to the market.
- Deficit and credit production data for Q3 2021 will be released January 31, 2022.

The chart below shows historic pricing from 2019 through November 15, 2021 as reported by CARB. Note that beginning in October 2019, pricing data was reflective of Type 1 or spot market transfers.



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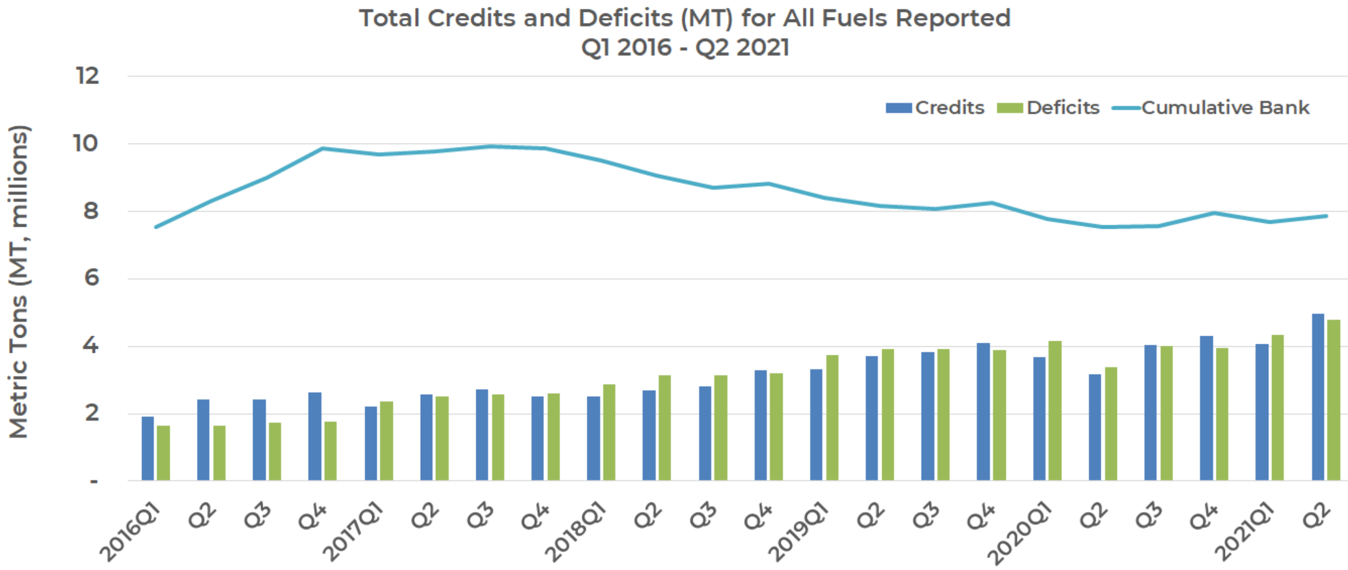
CALIFORNIA LCFS CREDIT AND DEFICIT REPORT

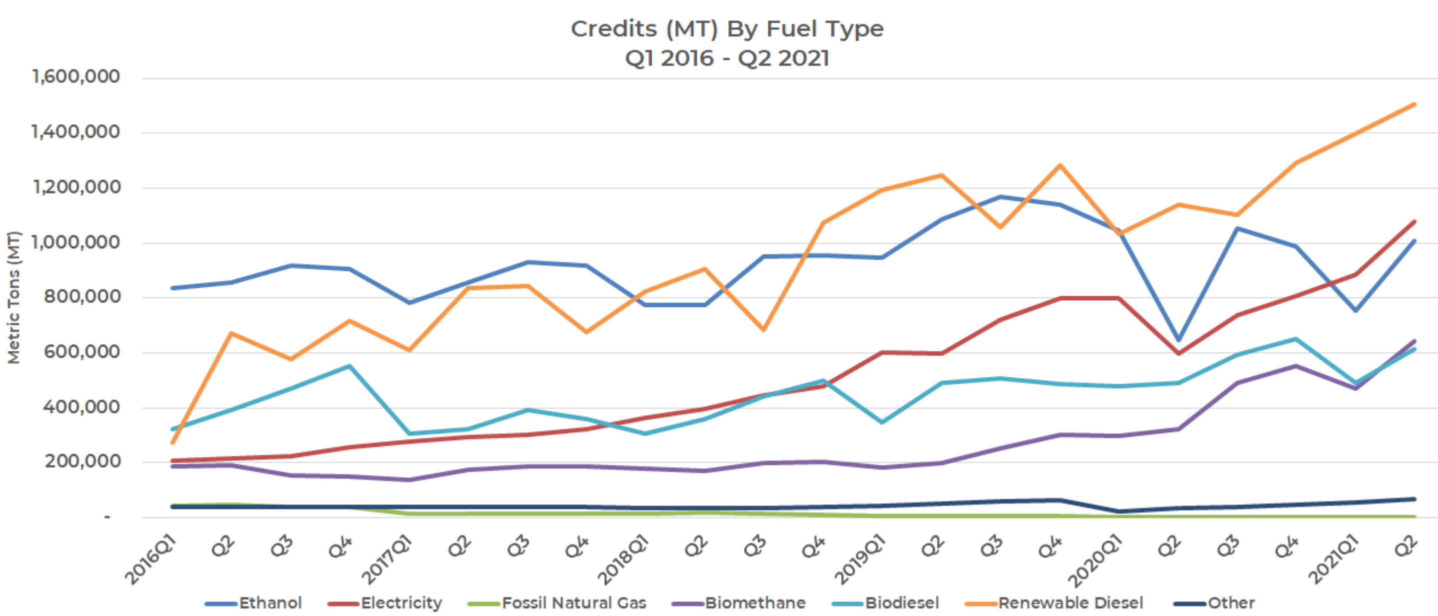
- On October 29, 2021, CARB released the **Q2 2021 credit and deficit data.**
- The market saw a significant increase in both credits and deficits generated in Q2 2021, with credits outpacing deficits.
- 4.96 mm credits were issued in Q2 2021 compared to 4.79 mm deficits generated.
- The credit bank increased 2.2% in Q2 2021 from 7.68 mm to 7.85 mm credits.
- This is the earliest quarter in any respective compliance year since 2017 in which there was a increase in the credit bank.

The chart below reflects the total credits and deficits since 2016 and the trends in the cumulative credit bank.



- Renewable diesel was the largest contributor to the credit increase with 1.5mm credits in Q2 2021, up from 1.4mm in the previous quarter
- Electricity generation continues to increase sharply as a top source of credits
- RNG generated credits were up 38.2% quarter over quarter, the largest percentage increase of any fuel
- Ethanol credits also increased from 0.75mm in Q1 2021 to 1mm Q2 2021, recovering to its late 2020 levels

The chart below depicts the credit volume issued by fuel type since 2016



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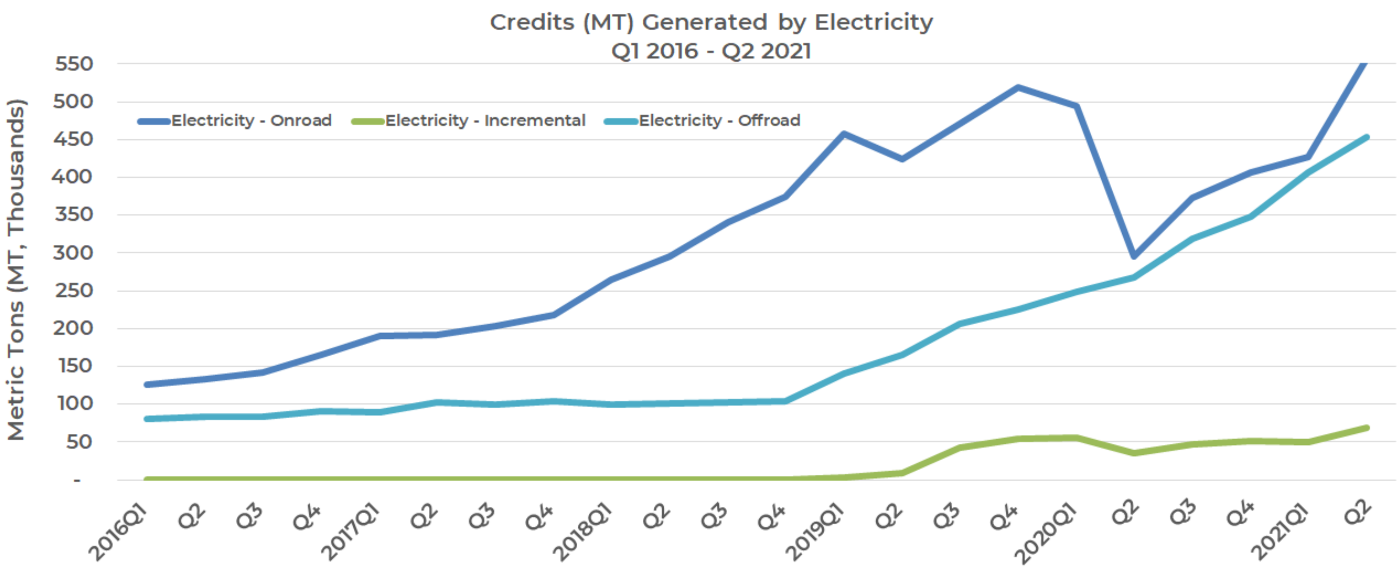
Growing Electrification in the California LCFS Program

- Since its initial, COVID-induced drop, electricity credit generation has continued to grow at an increasing rate. Q2 2021 saw the most ever quarterly electricity credit generation with 1.1mm credits generated, up 22.2% from Q1 2021.
- A large portion of the credit increase came from residential base crediting, eclipsing pre-pandemic highs.
- Off-road vehicle credit generation continued its steady climb with electric forklifts, up 16.4% from Q1 2021, making up the largest portion of the gain.

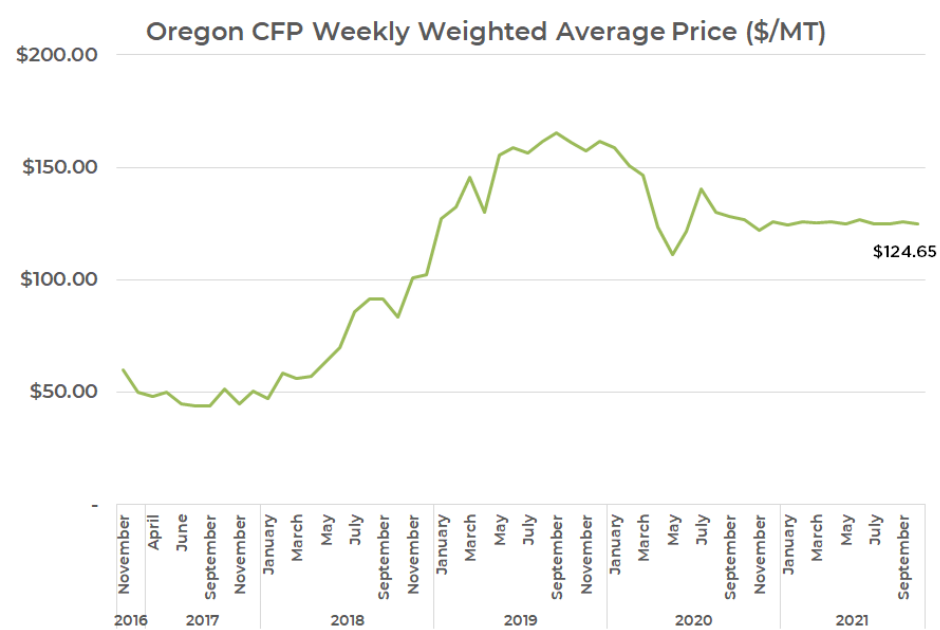
The chart below shows credit volume generated by electricity since 2016



OREGON CFP MARKET UPDATE

The **Oregon Clean Fuels Program (OR CFP)** pricing for Q3 2021 remained steady at approximately $125 per credit. Since the beginning of 2021 OR CFP pricing has remained largely unchanged, hovering between $124 and $126.

SRECTrade manages and monetizes a variety of client assets under the California LCFS, Oregon CFP, and other emerging clean fuels markets, as well as renewable energy credit (REC) markets across North America. Contact us to start generating revenue from your clean energy assets.



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CLEAN FUEL PROGRAM UPDATES

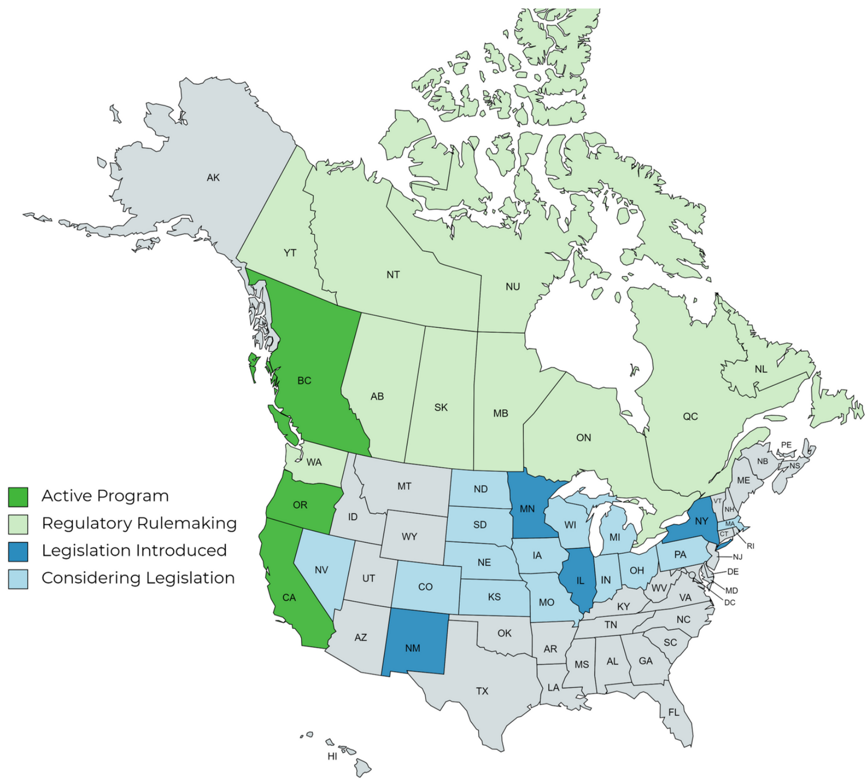
Oregon Looks to Expand the Clean Fuels Program

The Oregon Environmental Quality Commission (EQC) is conducting rulemaking to expand the Clean Fuels Program (CFP), which may include the increase of carbon intensity reduction targets above 10% and beyond 2025. Rulemaking sessions will commence in December 2021. To date, the Oregon CFP has reduced an estimated 5.3 MT of GHGs on a lifecycle basis and enabled the state utilities to invest almost $20mm in EV projects. In March 2021, the EQC approved changes to the program which allows the use of renewable energy credits (RECs) to claim zero carbon electricity for clean fuel equipment located in Oregon. Find out if your clean fuel assets are now eligible for REC pairing.

Washington Kicks Off Rulemaking Workshop

In Washington, the Clean Fuels Program (CFP) rulemaking has kicked off, with stakeholder meetings ongoing until spring of 2022, following which the proposed rule will be published for a comment period. The program aims to reduce carbon intensity in transportation fuels by 20% below 2017 levels by 2038, with implementation targeted to begin starting 2023.

Key provisions in the rulemaking include credit price limits to ensure harmonization with the other state markets, infrastructure crediting, and supporting overburdened communities through transportation electrification programs.



Canada CFS Awaiting Final Implementation

The Canada Clean Fuel Standard (CFS) program implementation has been delayed until the Spring of 2022. The delay will affect the the credit generation commencement and will have no impact on the carbon intensity reduction goals and compliance period schedules.

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GRANT PROGRAMS UPDATE

HVIP Wave 3 Funding is Fully Subscribed

On Thursday, October 28th, the **Zero-Emission Truck and Bus Voucher Incentive Project (HVIP)**, which works to help businesses transition to cleaner fleets of medium- and heavy-duty trucks, reached full subscription for its $62 million. Learn more about additional funding opportunities for 2022 on **HVIP's website**.

Alameda County EV Funding Starts December

Through CAL eVip, the **Almeda County Incentive Project** has roughly $17.3 million in funding available to support the transition to electric vehicles (EVs) throughout the county. All funds will be used for the purchase and installation of EV charging infrastructure. Applicants can apply starting in December and funding will be allocated on a first-come, first-served basis.

The Carl Moyer Program Provides Funding for the BAAQMD

The BAAQMD has more than $40 million in funding available through the **Carl Moyer Program (CMP)**, which aims to reduce emissions through upgrading or replacing heavy-duty vehicles and equipment. Eligible vehicles include trucks and buses, public school buses, and off-road equipment. Funding is awarded on a first-come, first served basis.

Transit and Shuttle Bus Funding Still Available Through CA's VW Mitigation Trust

The **California VW Mitigation Trust** still has funding available for replacing older transit and shuttle buses with zero-emission buses. Please note that funding has already been oversubscribed for school buses.

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FCI CREDITING LOWERS YOUR CAPITAL INVESTMENT IN DC FAST CHARGERS

To accelerate the deployment of DC fast chargers (DCFC) in California, the California Air Resources Board (CARB) introduced a mechanism to fund the initial deployment of DCFCs and related infrastructure, which is formally known as the DC Fast Charging Infrastructure (FCI) Crediting.

The FCI crediting mechanism provides a funding floor that guarantees a minimum amount of LCFS credits generated that funds build-outs based initially on the charging capacity of the DCFCs.

Basic provisions surrounding the generation of FCI credits are:

- The DC Fast Chargers must be publicly accessible
- The charging station owner is the only party who can generate the credits in their own CARB account
- The chargers need to have been approved for commission on or after January 1, 2019
- Capital and operational expenditure reports must be submitted on a quarterly basis

SRECTrade manages and monetizes FCI credits on a case-by-case basis. Reach out to learn more about how FCI crediting can fund the initial deployment of your DCFCs.

CONTACT US

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ABOUT US

SRECTrade helps you get paid on the use of zero-emission vehicles and fueling equipment that you already own, such as electric light-duty vehicles, forklifts, trucks, and charging stations. SRECTrade is the largest agent manager of EV assets for California's Low Carbon Fuel Standard (LCFS) and the trusted partner across North America for similar programs already redefining equipment plans and budgets. With 175,000+ assets on its tech platform and more than 58,000 assets under management, SRECTrade operates in 14 compliance markets across 20 unique environmental commodities with > 99% client retention. We help you get paid to accelerate deployment of clean energy and transportation equipment, while minimizing time, cost, and risk of complex and diverse regulatory programs.

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