

CLEAN FUELS MARKET UPDATE

AUGUST 2022



INDUSTRY NEWS

Congress passed the historic Inflation Reduction Act on August 12. The bill will allocate an estimated \$370bn for climate change and energy security, aimed at reducing carbon emissions by 40% by 2030. The climate change and energy security provisions aim to invest in clean fuels, onshoring manufacturing, clean energy, decarbonizing agriculture, and tax credits for consumers. Learn more by viewing the [full legislation and summaries](#).

SRECTRADE HIGHLIGHTS

Blackstone Energy Partners has committed [\\$400mm to Xpansiv](#), the parent company of SRECTrade, to lead a strategic investment round to support Xpansiv's growth as the leading global market-infrastructure platform for environmental commodities.

SRECTrade [surpassed 1 gigawatt \(GW\)](#) of clean energy assets under management, representing more than 65k assets and facilities including solar, wind, thermal, and clean transportation.

Join SRECTrade at the [Green Transportation Summit & Expo \(GTSE\)](#) in Tacoma, WA from August 16 - 18. Visit us at booth #301 and connect with our panel session speaker, Evan Rosenberg, to learn about the upcoming Washington Clean Fuels Program and how you can prepare for it.

DO YOU HAVE EV CHARGERS IN CANADA?

Canada just launched a new clean fuel program! There is an early registration deadline of August 20. Contact us today! cleanfuels@srectrade.com

CALIFORNIA LCFS CREDIT MARKET TRENDS

- The average LCFS credit price for 2022 year-to-date is about \$115/MT, lower than the 2021 year-average price of \$178/MT. This trend continues as CARB proposes to strengthen the 2030 carbon intensity targets.
- Despite declining credit prices, the market continues to be very active, with over 3.5 million credits transferred in July alone, the third-busiest month of the program. Over 18.5 million credits have been transferred in 2022 through July, on pace to eclipse the 2021 total of 25.2 million credits.
- In May, credit prices fell below \$100/MT for the first time in years. Prices continued to stay below the \$100 mark through June and July, despite brief rallies around the time of CARB's proposals.
- Credit prices closed the week of August 8-12 in the mid \$80s.

The chart below shows historic pricing as reported by CARB from Q1 2020 through August 12, 2022.

LCFS Credit Weekly Weighted Average Price (\$/MT)



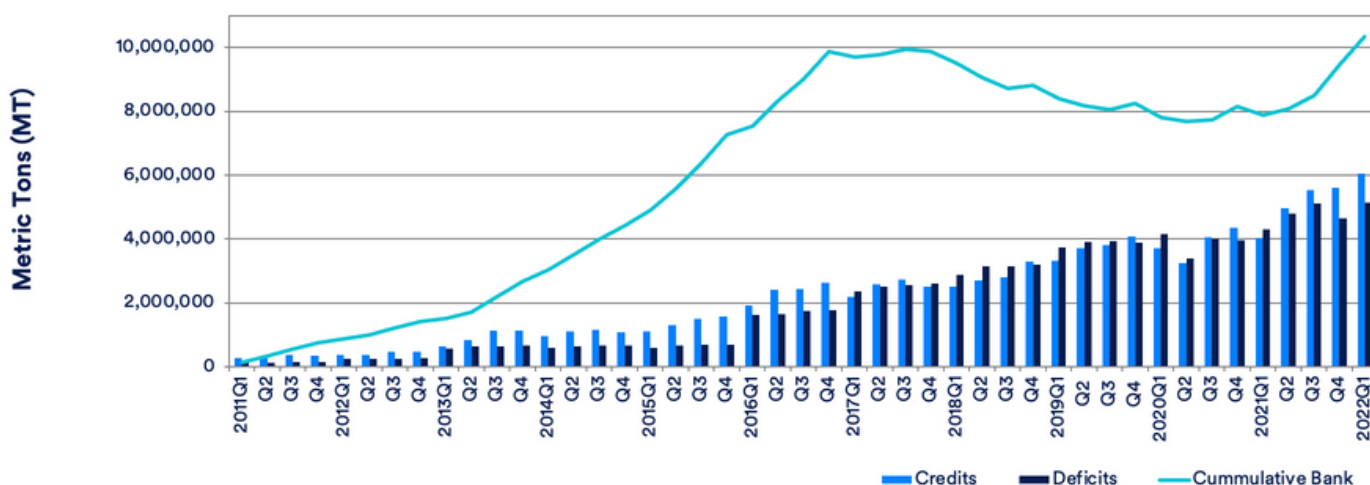
CLEAN FUELS MARKET UPDATE

CALIFORNIA LCFS CREDIT AND DEFICIT REPORT

- CARB released Q1 2022 program data on July 31, 2022. Q2 2022 data is expected to be available in November.
- 6.04 million credits and 5.15 million deficits were issued in Q1. Both are record highs for a single quarter.
- The cumulative credit bank rose by 890k credits (9.4%) to a new program high of 10.35 million.
- The typical drop-off in net credits for Q1 as the CI-reduction benchmark ratchets down was not seen this quarter as gains from electricity and renewable diesel (RD) credits outpaced the increase in deficits.

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

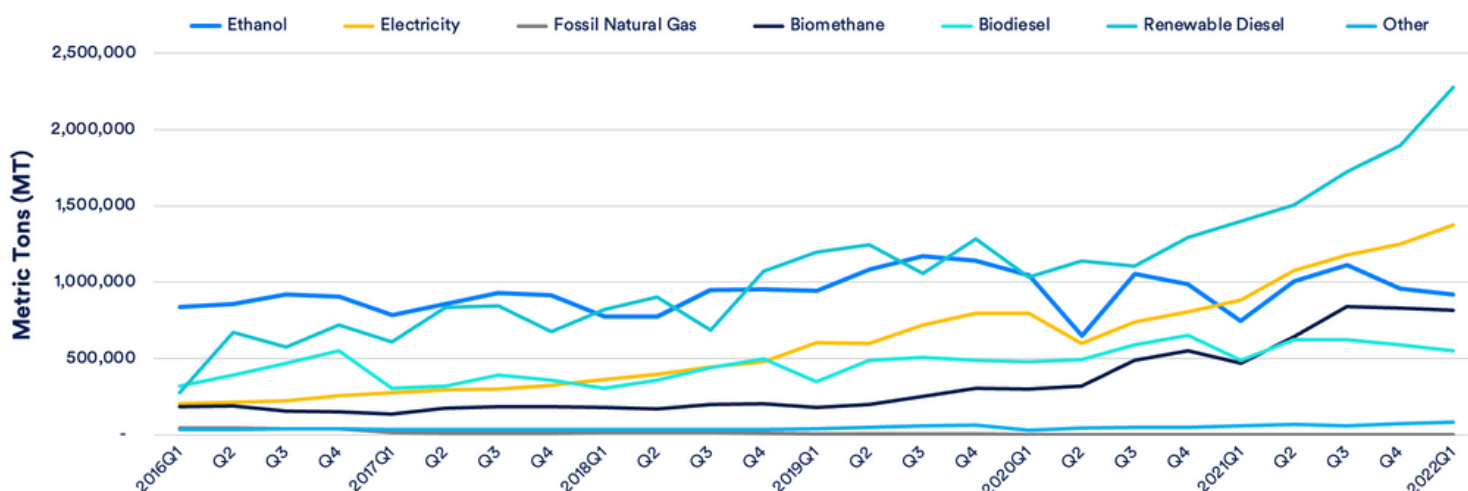
Total Credits and Deficits (MT) for All Fuels Reported Q1 2011 - Q1 2022



- RD continues to be both the largest source of credits (38%) and greatest contributor to quarterly credit growth across the entire program. Credits from RD increased 20% quarter-over-quarter.
- Renewable natural gas (RNG) credits were down slightly from Q4 2021 (1.6%).
- Electricity credits continued to increase primarily due to stable growth from on-road EVs.
- Diesel volume continues its decline for the second straight quarter, decreasing by 9.3% quarter over quarter.

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

Credits (MT) By Fuel Type Q1 2016 - Q1 2022

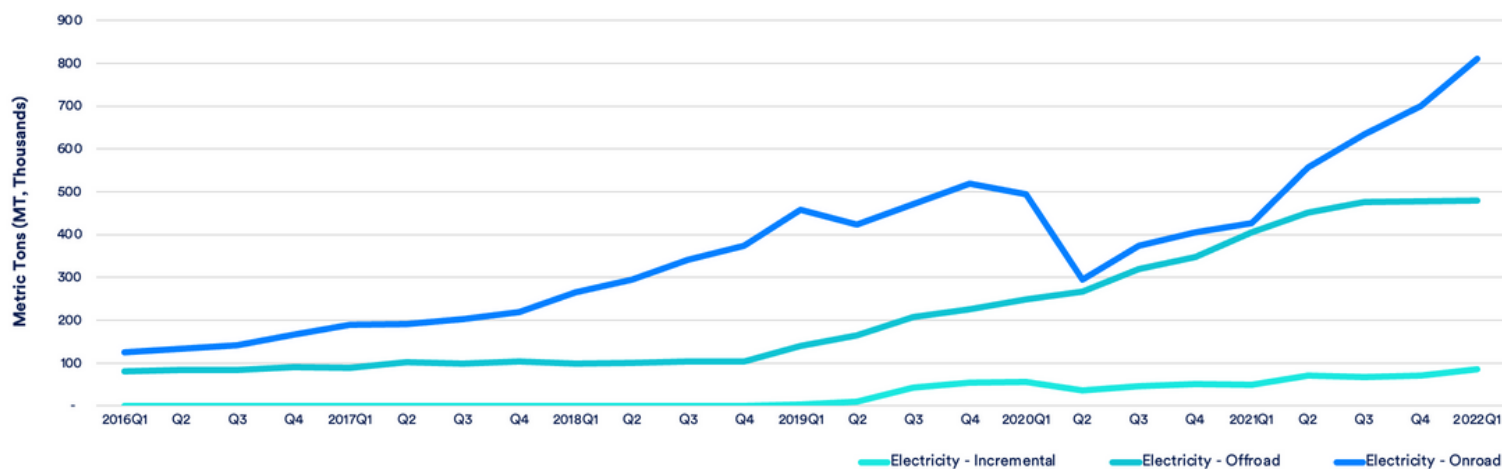


SPOTLIGHT: THE GROWTH OF EV CHARGING UNDER LCFS

The accelerating adoption of electric passenger vehicles in California is impacting the LCFS credit program. Credits from onroad EVs (which include both residential and non-residential charging) have eclipsed pre-pandemic levels and become one of the fastest growing areas of credits in the LCFS program. Credits from residential charging, which are claimed by the utility and contribute towards funding programs, increased by 20.4% quarter over quarter.

Growth from off-road electric equipment has slowed in recent quarters, adding 3.4% from Q4 2021.

Credits (MT) Generated by Electricity Q1 2016 - Q1 2022

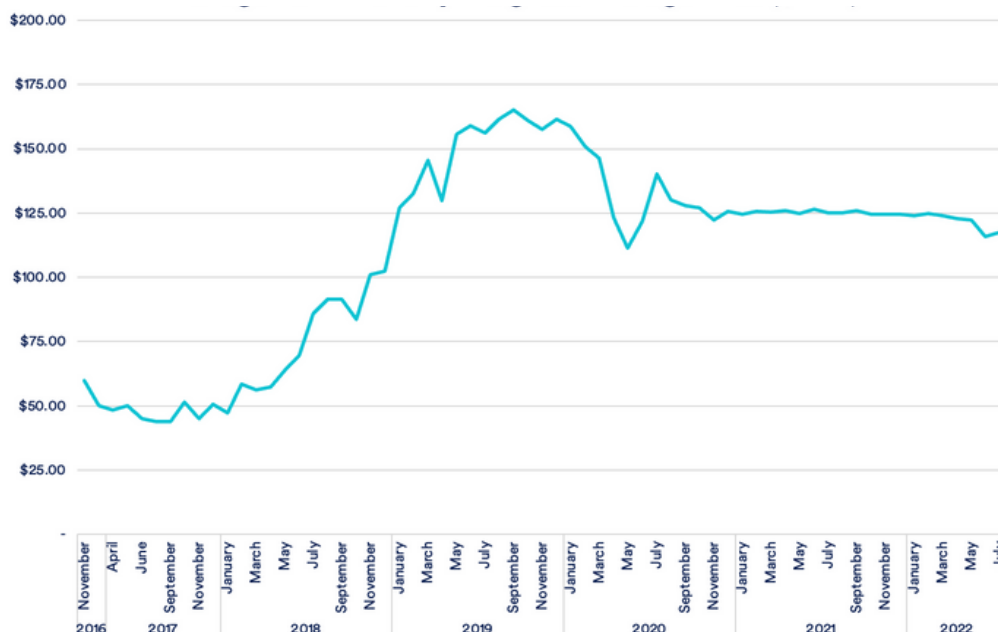


OREGON CFP MARKET UPDATE

OR CFP credit pricing remained steady at \$120-\$125/MT for most of 2021 and the first half of 2022. Pricing fell below \$110/MT in July, as indicated by transactions reported to DEQ. Pricing was heard at \$109/MT for the week ending 8/12/2022 as DEQ prepares to adopt new program rules expanding program targets to 2035.

Contact us at cleanfuels@srectrade.com to start generating revenue from your clean energy assets in California, Oregon, British Columbia, Washington State, and Canada!

Oregon CFP Monthly Weighted Average Price (\$/MT)



CLEAN FUEL PROGRAM UPDATES

CARB Workshop Provides Key Insights Into Future of LCFS Program

On July 7, 2022, CARB held the first informal workshop seeking stakeholder feedback on potential changes to the LCFS program. The regulatory process to implement any new changes is expected to last through 2023 and culminate with new rules in early 2024.

Below are a few of the topics presented by CARB at the 7/7 workshop:

Strengthening Carbon Intensity (CI) Targets

In addition to creating longer term CI targets beyond 2030, CARB believes there is a strong case to adjust the current 2030 target of 20% to 25% or even 30% reduction from the baseline. Strengthening 2030 targets would send a strong market signal and provide LCFS credit price support. Stakeholders expressed strong support for this measure. CARB is expected to present modeling of these scenarios at a future workshop.

Phasing Out Mature Low Carbon Technologies

CARB is considering phasing out technologies that may no longer need the support from the LCFS program, such as forklifts. Stakeholders expressed caution and encouraged CARB to define a structured approach to determining if and when technologies are phased out in order to send clear signals to the market to manage investments in such technologies.

Expanding Zero-Emission Vehicle (ZEV) Fueling Infrastructure Crediting

CARB is seeking input on whether to expand ZEV Infrastructure Crediting (also known as "capacity" crediting) to infrastructure intended for medium and heavy-duty vehicles. The current programs only enable credit generation for infrastructure intended for light-duty electric and hydrogen fueling at public stations.

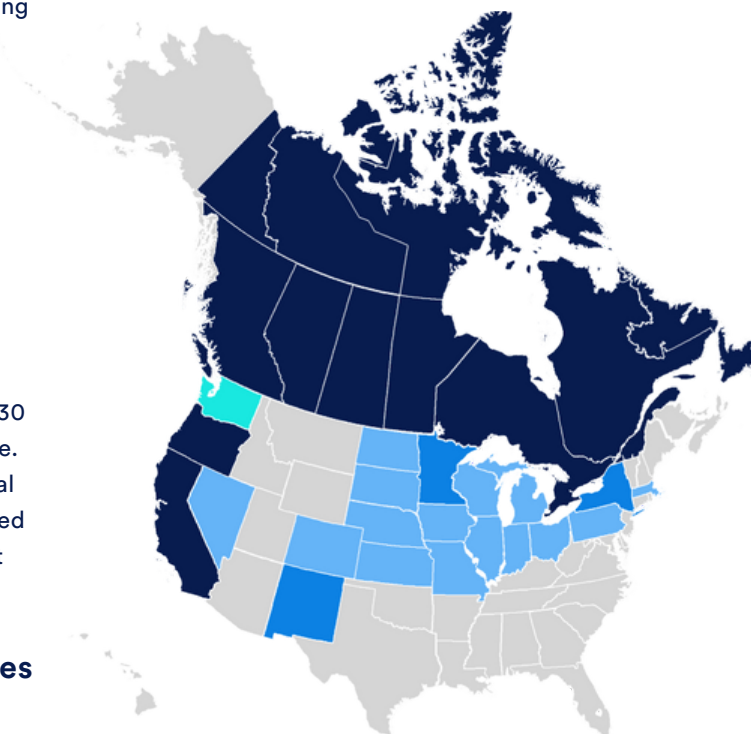
New Fuel and Vehicle Applications

CARB is considering creating new credit generation opportunities for vehicle and equipment types that have not traditionally been included in the program including: rail, harbor craft, ground-support equipment, and other novel ZEV technology applications.

The next workshop will be held on August 18, 2022.

CONNECT WITH SRECTRADE TO STAY IN THE LOOP

Whether you want to keep up with all the changes or are interested in participating in these workshops, SRECTrade can keep you close to the action. Contact us at cleanfuels@srectrade.com to learn more.



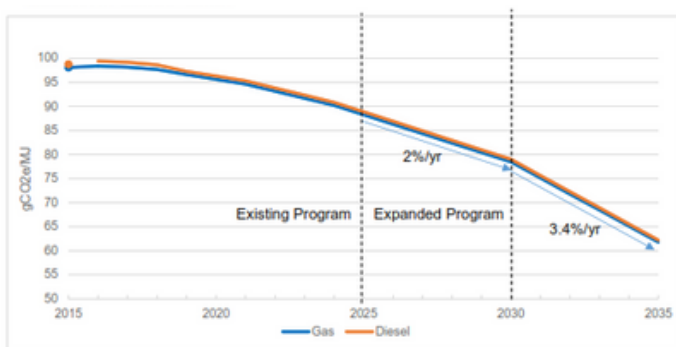
CLEAN FUEL PROGRAM UPDATES

Canada Launches Clean Fuel Standard

Canada's long-awaited Clean Fuel Standard officially launched on June 21, 2022. Eligible credit generators can register for the program today and begin generating credits early next year. Reach out to SRECTrade to help you navigate this program and begin benefitting as soon as possible.



Proposed Oregon CFP CI Targets



(Source: OR DEQ)

Final Public Hearing to Consider Changes to OR CFP

A public hearing was held on July 19, 2022 to consider changes to the Oregon CFP proposed by DEQ after extensive stakeholder consultation dating back to 2021. Key changes include expanding carbon intensity targets from 25% by 2025 to 37% by 2035.

DEQ intends to submit the new rule changes to the Environmental Quality Commission for adoption on or after August 20, 2022.

Washington Proposes 20% Reduction by 2034

The Washington Department of Ecology has published its draft of the Clean Fuel Standard rule, proposing a 20% reduction in carbon intensity of transportation fuels in the state by 2034. The final rule is set to be approved this winter, and will launch beginning January 2023.

While the program is structured similarly to California LCFS and Oregon CFP, there are some differences to navigate, such as a participation fee, utilizing Tier 2 pathways from existing programs, and requiring renewable energy assets to be in service after 2023 to claim zero-CI electricity.

Need Help Navigating All These Programs?

SRECTrade can support you. Contact us today to make sure you are getting the most out of clean fuel programs across North America.

GRANT PROGRAMS UPDATE

The U.S. Department of Energy Opens \$96 Million for EV Technologies

On July 21, the U.S. Department of Energy (DOE) opened [\\$96 million in funding](#) to accelerate the transition to electric vehicles. The funding will be used to improve EV charging accessibility and EV technology for both on-road and off-road vehicles to support disadvantaged communities. Concept papers are due August 25, 2022 and the complete application is due November 10, 2022.

CAL eVip Funding Remains for the South Central Coast Incentive Project

CAL eVip still has almost \$7.8 million in funding with over \$1 million alone for the [South Central Coast Incentive Project](#), which provides rebates for DC fast chargers and level 2 chargers in San Luis Obispo, Santa Barbara, and Ventura Counties. The project will continue to award funding on a first-come, first-served basis.

HVIP Innovative Small e-Fleet Opens this Month

The Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) has \$25 million in funding for the [Innovative Small e-Fleet \(ISEF\)](#) program, which invests in small fleets implementing zero-emission trucks. Voucher requests open August 31 at 1:00 pm PST.

Last Week to Apply for '22 Clean School Bus Rebates

[Clean School Bus \(CSB\) Rebates](#) applications can still be submitted before this Friday, August 19, at 11:59 pm EST. This program, managed by the EPA, will provide roughly \$500 million in rebates to help public schools transition to clean and zero-emission buses by replacing older buses still in operation. Learn more about how to [submit your application](#) this week.

\$2.2 Billion in Funding Awarded From RAISE

The [Rebuilding American Infrastructure with Sustainability and Equity \(RAISE\)](#) program now has awarded more than \$2.2 billion in funding. The program will help advance transportation systems across the U.S. through various areas such as transit, ports, and intermodal transportation.

CORE Still Has \$24 million in Funding

The [California Off-Road Equipment Voucher Incentive Project \(CORE\)](#) still has roughly \$24 million in available funds. Check to see if your assets are applicable in the [eligible equipment catalog](#).



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) provides a mechanism, known as DC Fast Charging Infrastructure (FCI) Crediting, to fund the deployment of DCFCs.

The FCI crediting mechanism guarantees a minimum amount of LCFS credits per quarter based on charging capacity and uptime.

Basic criteria for eligibility include:

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

SRECTrade manages and monetizes FCI credits. Reach out to learn more about how FCI crediting can fund the initial deployment of your DCFCs.



CONTACT US

cleanfuels@srectrade.com



SRECTrade
AN XPANSIV COMPANY

ABOUT US

SRECTrade helps you get paid for 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 185,000+ assets on its tech platform and more than 65,000 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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