

# CLEAN FUELS MARKET UPDATE

AUGUST 2021



## CONTACT US

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## INDUSTRY HIGHLIGHTS

- Regulators in Washington State kick off rulemaking for a new Clean Fuel Standard. Learn more on page 4.
- Canada continues to develop a clean fuels market. In July, the Government of Canada published [a video explaining its Clean Fuels Fund](#). The main purpose of the fund is to support the expansion of clean fuel production facilities.
- This August, the United States Senate passed the \$1.2 trillion infrastructure bill that will focus on improving core aspects of national infrastructure such as trains and clean energy. The bill is currently being reviewed by the House of Representatives.
- EV Charging to earn credits under British Columbia Low Carbon Fuel Program beginning in 2022. More on page 4.

## SRECTRADE HIGHLIGHTS

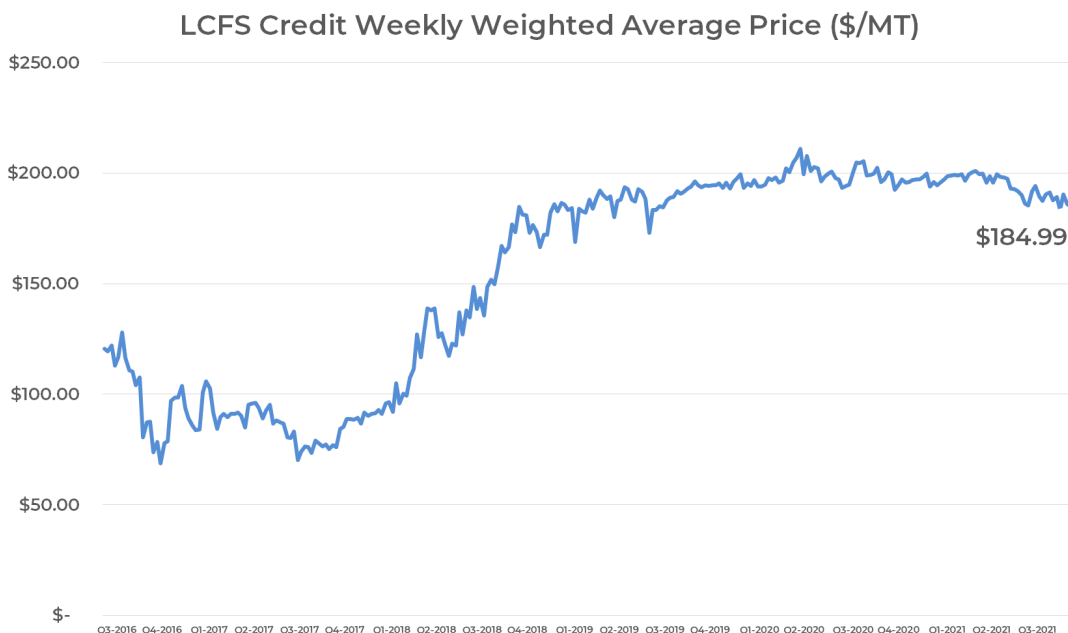
- On July 13th, SRECTrade led a webinar with HTA, [Making Clean Fuel Programs Work for Your Clean Fleet](#). See the virtual recording to learn how the clean fuels programs can help your organization transition to zero-emission fleet and more.
- SRECTrade will be having an upcoming webinar on September 28th at 10:00 am PT. Email [cleanfuels@srectrade.com](mailto:cleanfuels@srectrade.com) to register.
- Looking to estimate your potential LCFS revenue from your clean fuel equipment? Download the SRECTrade LCFS Credit Calculator app for free on your **iPhone** or **Android** to see how you can start getting paid.



## RECENT CALIFORNIA LCFS CREDIT PRICE TRENDS

- Throughout the 2Q2021, the California LCFS market saw steady credit prices with the weighted average pricing ranging between **\$190 and \$198**, as reported in the LCFS Registry Tracking Credit Bank and Transfer System (LRT-CBTS).
- Credit prices dipped briefly beginning end of June ahead of the June 30th compliance deadline for the petroleum industry to meet carbon intensity targets for 2Q2021. Credits traded between \$185 and \$190 in the month of July.
- In the first week of August 2021, pricing remained between \$179 and \$185 per credit.
- Near-term pricing is expected to remain strong as carbon intensity reduction requirements continue to become stricter, barring any major fuel production changes.
- Deficit and credit production data for 2Q2021 will be released October 31, 2021, which will provide a comprehensive analysis on credit pricing for the quarter.

The chart below shows historic pricing from 2016 through August 15, 2021 as reported by CARB.

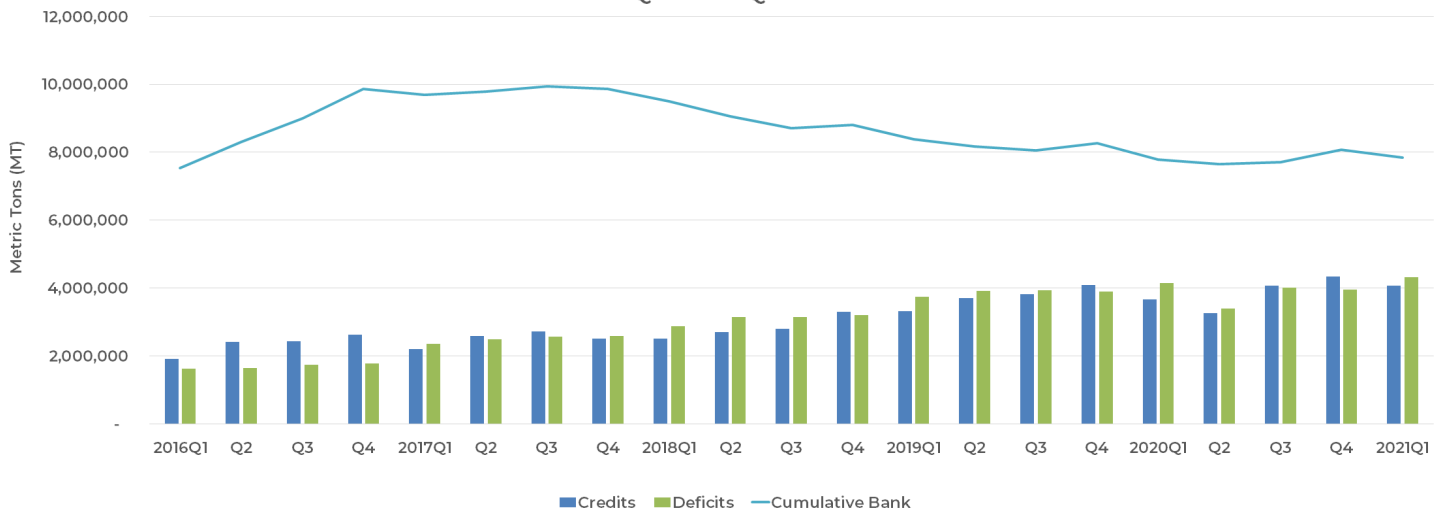


## CALIFORNIA LCFS CREDIT AND DEFICIT REPORT

- On July 29, 2021, CARB released the [Q12021 credit and deficit data](#).
- The market saw an increase in deficits generated in Q12021, with deficits outpacing credits.
- 4.07 mm credits were issued in Q1 2021 compared to 4.32 mm deficits generated.
- Between Q4 2020 and Q1 2021, the credit bank decreased 3.0% from 8.1 mm credits to 7.8 mm credits.

The chart below reflects the total credits and deficits since 2016 and the trends in the cumulative credit bank. The draw in the credit bank since 2017 corresponds to the increase in credits prices over the same time frame.

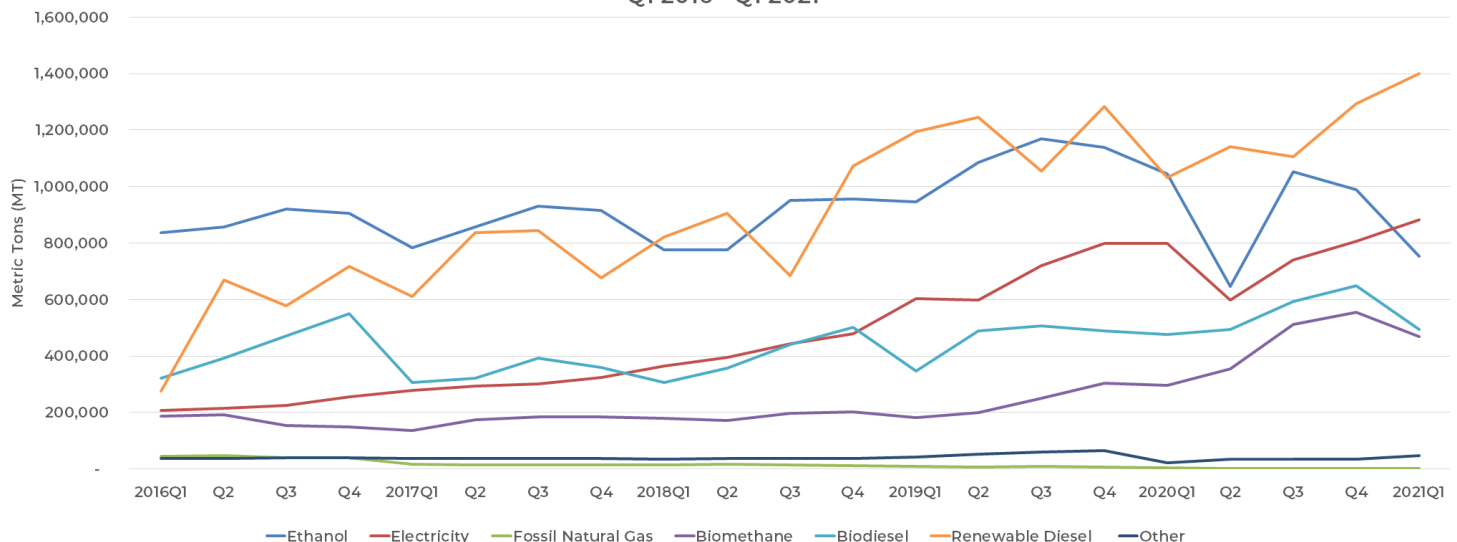
Total Credits and Deficits (MT) for All Fuels Reported  
Q1 2016 - Q1 2021



- The largest contributor to the credit increase was renewable diesel in Q1 2021 with 1.4 mm credits generated, up 8.3% from 1.29 mm credits in Q4 2020.
- There was an increase in DC Fast Charging Infrastructure (FCI) credits from 5.7k to 11k credits. See page 6 about taking advantage of the DC Fast Charging Infrastructure crediting program!
- Ethanol credits decreased from 989k credits to 752k, possibly due to the decrease in demand from COVID-19.

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

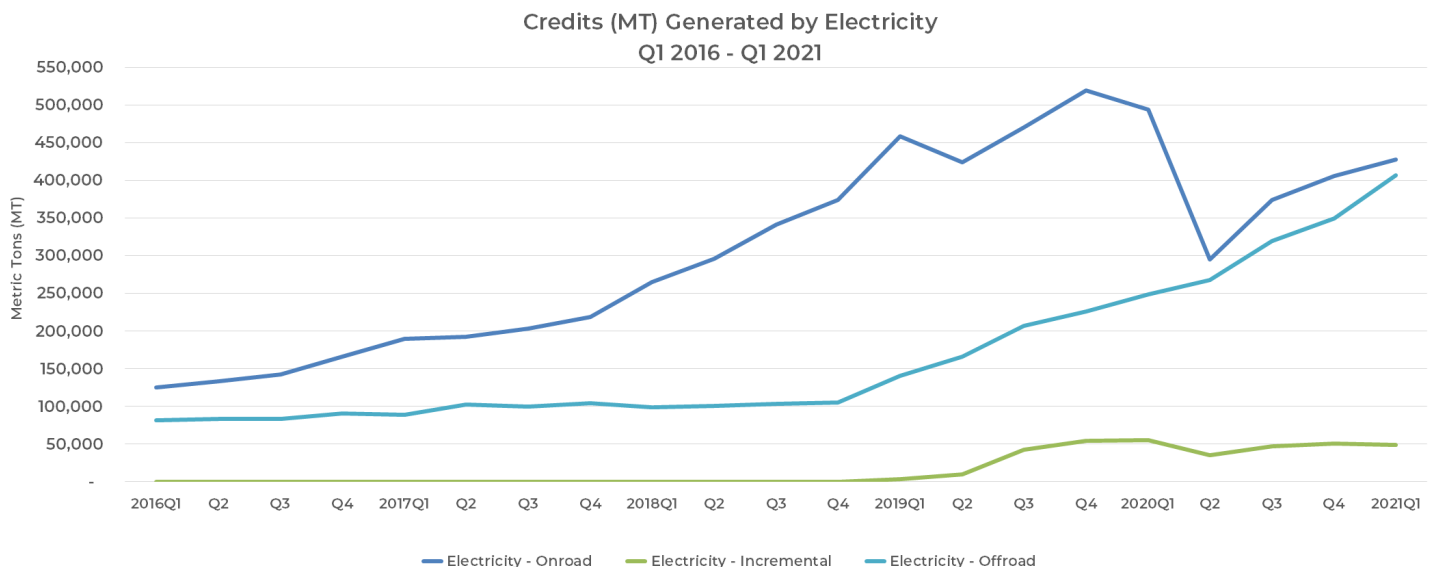
Credits (MT) By Fuel Type  
Q1 2016 - Q1 2021



## Growing Electrification in the California LCFS Program

- Overall, electricity as a fuel has been consistently increasing since 2016 for both on-road and off-road applications. Although there was a dip in credit generation in Q2 2020 due to the COVID-19 pandemic, the dip was isolated to onroad electricity credits, as electric vehicle owners were most likely not operating their vehicles due to California's stay-at-home orders. Q1 2021 saw on-road electricity credits rise to 427.4k, with 417.7k of those credits generated from light-duty and medium-duty vehicles. A majority of onroad light-duty and medium-duty credits were generated through base crediting or residential EV charging with grid-average carbon intensity (CI).
- Off-road vehicle credits grew steadily, unimpeded by effects of the pandemic as credit generation increased by 16.7%, from 349.4k to 406.6k credits. While electric forklifts and fixed guideway systems saw the most consistent increase since 2016, the largest gain in credit generation besides electric forklifts was from electric Ocean Going Vessels (eOGVs) in Q1 2021.

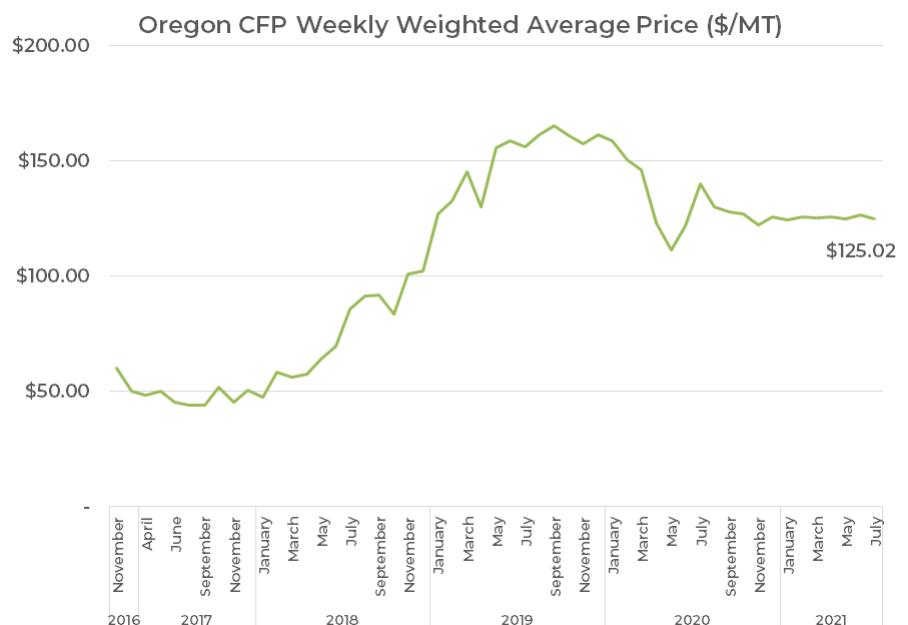
The chart below shows credit volume generated by electricity since 2016



## OREGON CFP MARKET UPDATE

The [Oregon Clean Fuels Program \(OR CFP\)](#) average prices for Q2 2021 were steady, averaging at \$125.79/credit. July 2021 weighted average price remained at \$125.02 per credit, down \$1.54 from June 2021 average price of \$126.56 per credit. Recently the CFP prices in Oregon have trended between \$122-128/credit.

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.



## CLEAN FUEL PROGRAM UPDATES

### SRECTrade Now Offers Renewable Energy Sourcing in the Oregon Clean Fuels Program

The Oregon Environmental Quality Commission [approved changes](#) to the Clean Fuels Program (CFP) which now allows the use of renewable energy credits (RECs) to claim zero carbon electricity for clean fuel equipment located in Oregon. SRECTrade can generate more credits and earn you higher net revenues from the program, providing further incentive for clean fuel and electric vehicle adoption. [Find out if your clean fuel assets are now eligible for REC pairing.](#)

### Washington State Kicks Off Clean Fuel Standard Rulemaking

State regulators will begin to develop a clean fuel program that will operate similar to those adopted in California and Oregon. The program will require fuel suppliers to reduce the carbon intensity of transportation fuels while allowing producers and users of low carbon fuels to generate and sell credits.

The proposed rules will be announced this summer, with workshops anticipated through the end of the year. SRECTrade will be following this rulemaking closely and actively participating in rule creation to ensure the program is as effective and usable as possible.

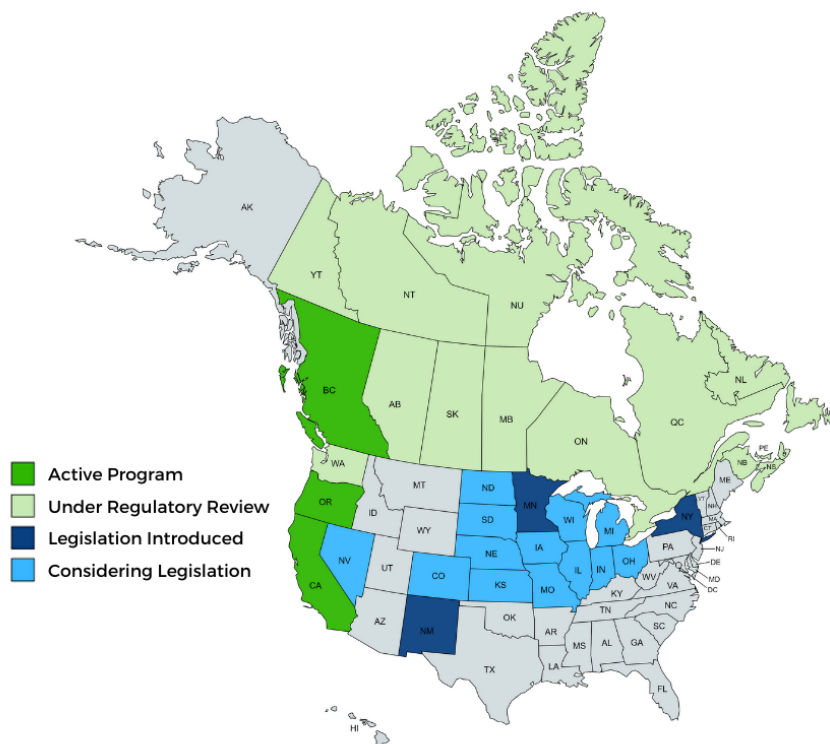
**If you operate a fleet in Washington State, contact SRECTrade to learn more about how you can benefit from this new program.**

### New York and Minnesota Clean Fuel Programs Await Action from State Legislatures

Legislation introduced in New York and Minnesota would aim to reduce transportation emissions by establishing clean fuel programs. Similar bills have been proposed in New York in years past, but Minnesota's bill is the first for the midwest and marks momentum in the region. **If you operate clean fuel equipment in these states, we need your voice! Contact SRECTrade for more details.**

### EV Charging to Earn LCFS Credits in British Columbia

Regulators for the British Columbia Low Carbon Fuel Standard Program recently approved a change that will allow EV charging to generate credits beginning January 1, 2022. **If you operate a fleet or EV charging stations in British Columbia, please contact SRECTrade to learn more about this upcoming program change.**



## GRANT PROGRAMS UPDATE

### HVIP Wave 2 Funding is Fully Subscribed

On Tuesday, August 10th, 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, opened up to \$45 million in remaining funds for the year on a first-come, first-served basis. This recent funding is fully subscribed. Learn more about additional funds expected for the fall of 2021. On June 8th, the HVIP opened \$84 million in funding and all funding was awarded within 3 hours.

### South Central Coast Incentive Project is Now Accepting Applications

The **South Central Coast Incentive Project** has started accepting applications this August for funding. The funding can be used for the purchase or installation of zero-emission vehicles or EV charging stations in San Luis Obispo, Santa Barbara, and Ventura.

### FTA announces more Funding for Areas of the Persistent Poverty Program

In July, the Federal Transit Administration (FTA) announced that it would provide \$16.3 million in funding for **Areas of the Persistent Poverty**, a program designed to help improve transportation and infrastructure in applicable communities. The application deadline is August 30, 2021.

### Oregon Funding Opportunity: Diesel Emissions Reduction Grant

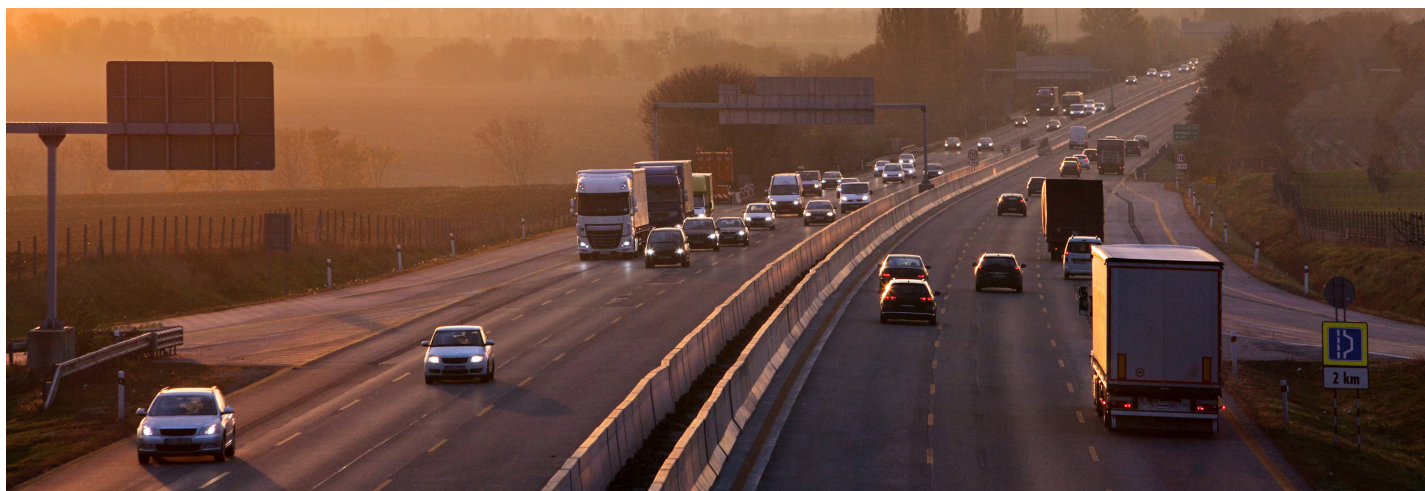
The Oregon Department of Environmental Quality is accepting applications for \$8 million for projects that replace more polluting diesel vehicles with cleaner equipment in Oregon through the **Diesel Emissions Reduction Grant**. Applicants should apply by August 31, 2021.

### VW Mitigation Trust Offers Funding in California

Roughly \$34 million is available in funding for zero-emission freight and marine projects in California through the the **California VW Mitigation Trust**. Funding will be awarded on a first-come, first-served basis until September 22nd.

### Carl Moyer Funding May Still Be Available

Fleet owners of on-road, heavy duty vehicles in California may be eligible for grant funding through the **Carl Moyer Memorial Air Quality Standards Attainment Program** (Carl Moyer Program), which aims to help reduce emissions through clean vehicle engines and equipment. Eligible vehicles include heavy-duty vehicles (HDV), school and transit buses, and public fleets. With over \$60 million in funding available each year, learn more about funding opportunities by contacting your **local air district**.



## 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 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. The regulations are complex and the benefits are hard to access - we make it easy for you. 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 150,000+ assets on its tech platform and more than 54,000 assets under management, SRECTrade operates in 14 compliance markets across 20 unique environmental commodities with > 99% client retention. Through SRECTrade you get paid and accelerate deployment of clean energy and transportation equipment, while minimizing time, cost, and risk of complex and diverse regulatory programs.



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