

# CLEAN FUELS MARKET UPDATE

MAY 2021



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## INDUSTRY HIGHLIGHTS

➤ In Washington state, lawmakers approved [HB 1091](#) to establish a Clean Fuels Standard that aims to reduce the carbon content of liquid transportation fuels in the state, similar to the California LCFS program. More on page 4.

➤ The South Coast AQMD adopted the [Warehouse Indirect Source Rule \(ISR\)](#), which requires warehouses greater than 100,000 sq ft in the South Coast Air Basin to reduce their NOx and PM emissions. This rule supports California's transition to a zero-emission goods movement industry.

➤ On May 4, 2021, Senator Chuck Schumer (D-NY) and Senator Sherrod Brown (D-OH) had announced a [Clean Transit for America Plan](#), which will provide \$73 billion in funding for the deployment of zero-emission buses.

## SRECTRADE HIGHLIGHTS

➤ RSVP to the next SRECTrade webinar on June 17, at 10:00am PST. Learn how the clean fuels programs can help your organization transition to zero-emission fleet and more. Email [cleanfuels@srectrade.com](mailto:cleanfuels@srectrade.com) to register.

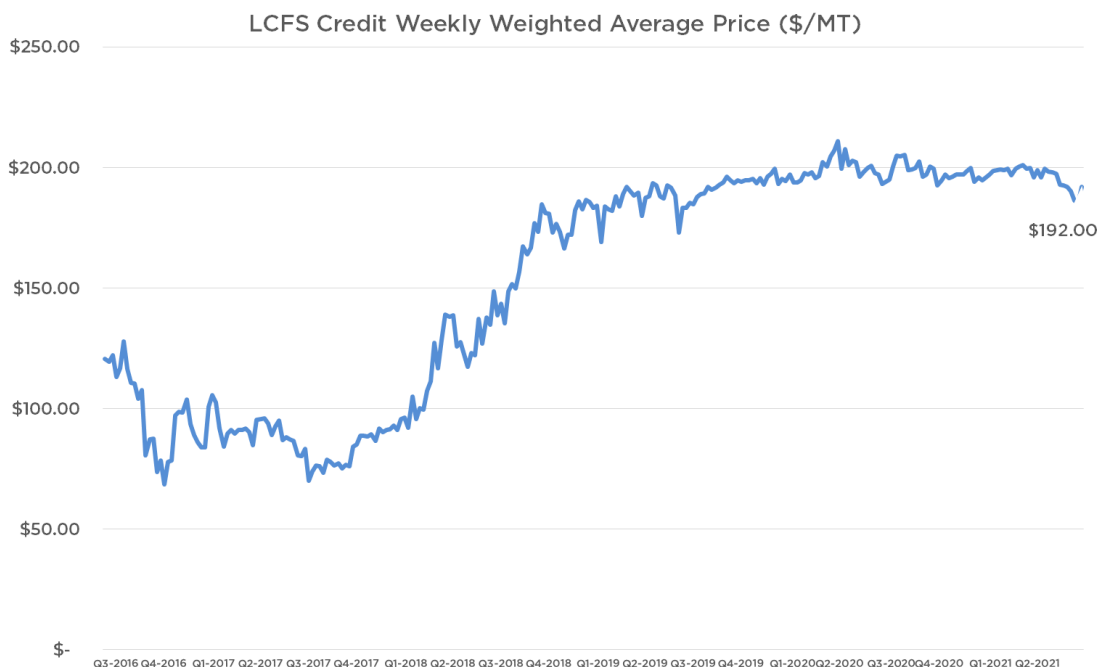
➤ The City of Porterville has partnered with SRECTrade to accelerate the municipality's adoption of zero-emission vehicles with ongoing revenue from LCFS credits. Read the [press release here](#).

➤ The SRECTrade LCFS Credit Calculator Phone App is helping fleet and equipment managers drive the use of LCFS throughout their organizations and ensure all eligible assets are generating income. Download the app for your [iPhone](#) or [Android](#).

## RECENT CALIFORNIA LCFS CREDIT PRICE TRENDS

- Throughout the 1Q2021, the California LCFS market saw steady credit prices with the weighted average pricing ranging between \$195 and \$200, as reported in the LCFS Registry Tracking Credit Bank and Transfer System (LRT-CBTS).
- Credit prices dipped briefly beginning mid-March ahead of the April 30th compliance deadline for the petroleum industry to meet carbon intensity targets for 2020. Credits traded between \$173 and \$197 in the month of April.
- In May 2021, pricing slowly increased from the dip from \$179 to \$192 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 1Q2021 will be released July 31, 2021, which will provide a comprehensive analysis on credit pricing for the quarter.
- The [maximum credit price ceiling](#) has been updated to \$221.67 for 2021.

The chart below shows historic pricing from 2016 through May 22, 2021 as reported by CARB.



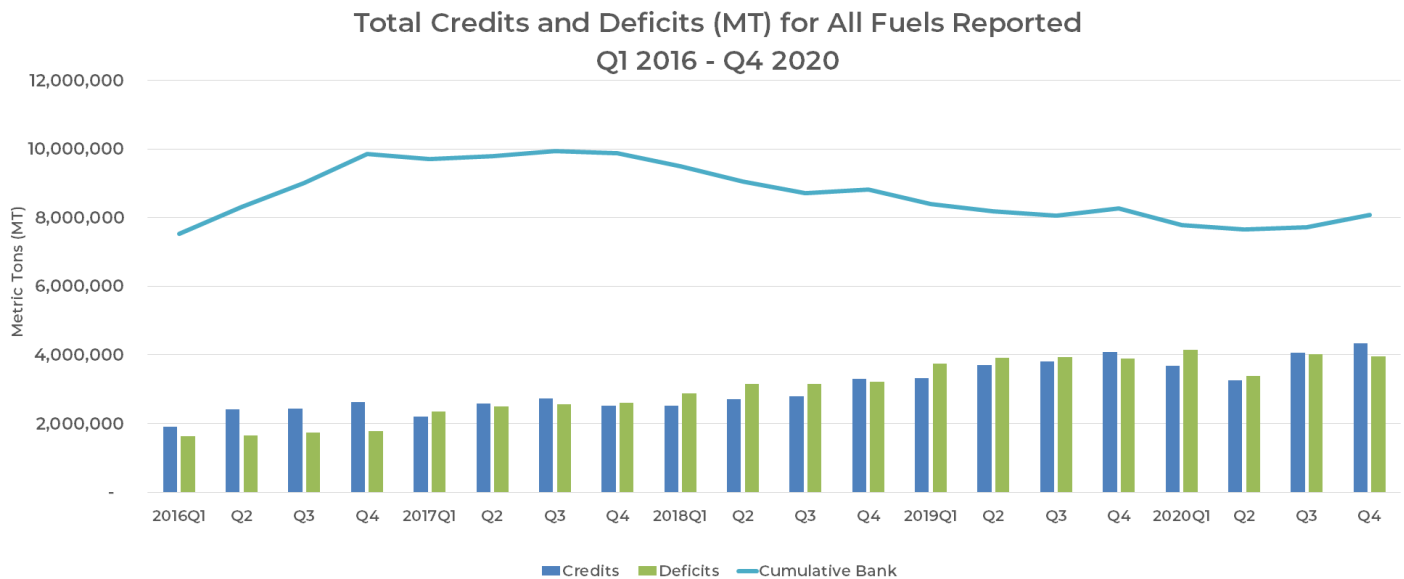
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## CALIFORNIA LCFS CREDIT AND DEFICIT REPORT

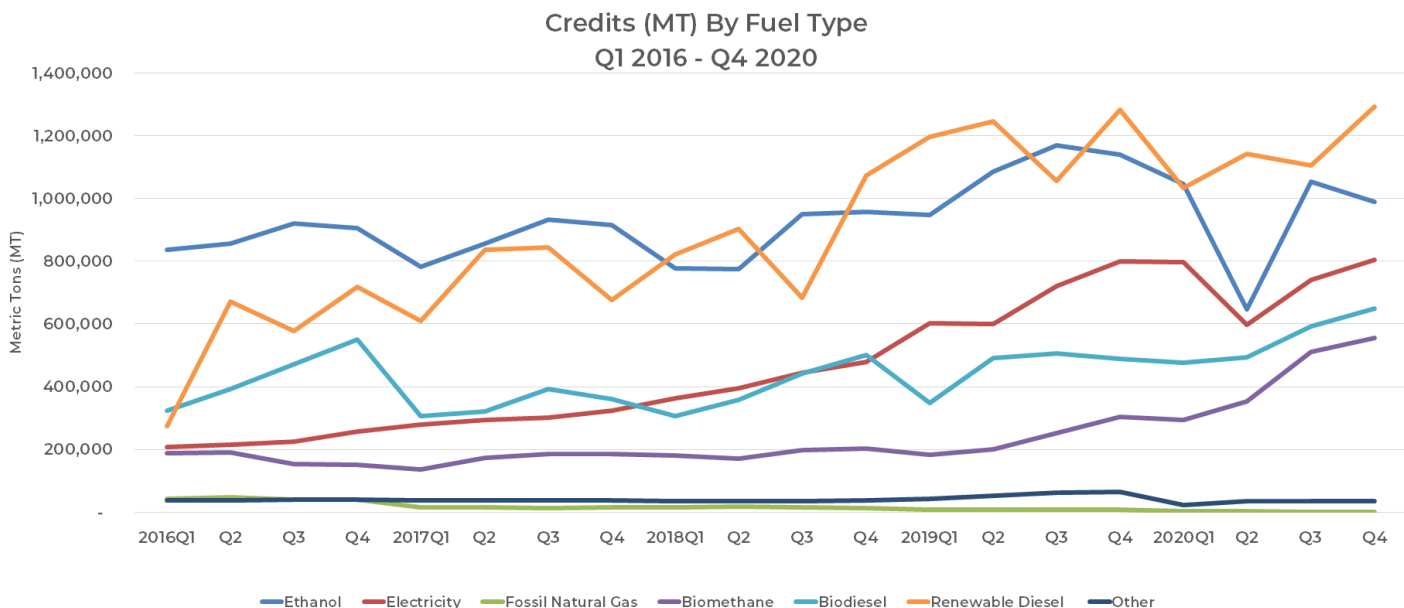
- On April 30, 2021, CARB released the [Q4 2020 credit and deficit data](#).
- The market saw an increase in credits generated in Q4 2020, with credits outpacing deficits.
- 4.33 mm credits were issued in Q4 2020 compared to 3.96 mm deficits generated.
- Between Q3 2020 and Q4 2020, the credit bank increased 4.8% from 7.7mm credits to 8.1mm credits. The increase could be due to the petroleum industry meeting compliance standards ahead of the annual deadline, as well as the overall decrease in fuel production from COVID-19.

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.



- The largest contributor to the credit increase was renewable diesel in Q4 2020 with 1.29mm credits generated, up 16.8% from 1.10mm credits in Q3 2020.
- There was an increase in biomethane (bio-CNG) credits by 8.6%, as well as biodiesel credits by 9.5%.
- Ethanol credits decreased from 1.05 mm credits to 989k, po due to the decrease in demand from COVID-19.

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



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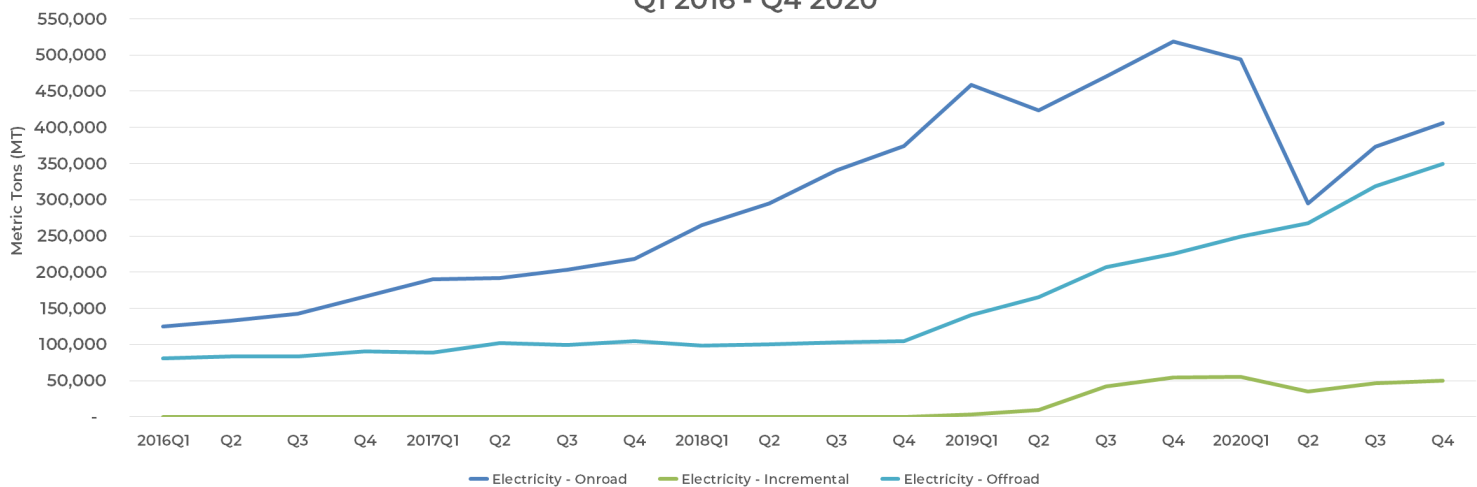


## Growing Electrification in the California LCFS Program

- 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 commuter traffic decreased due to California's stay-at-home orders. Q4 2020 saw on-road electricity credits rise to 405.9k, with 395.5k of those credits generated from light-duty and medium-duty vehicles. A majority of onroad 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 31.7%, from 319.1k to 349.4k credits. While electric forklifts and fixed guideway systems saw the most consistent increase since 2016, the largest gain in credit generation was from electric Ocean Going Vessels (eOGVs) in Q4 2020.

The chart below shows credit volume generated by electricity since 2016

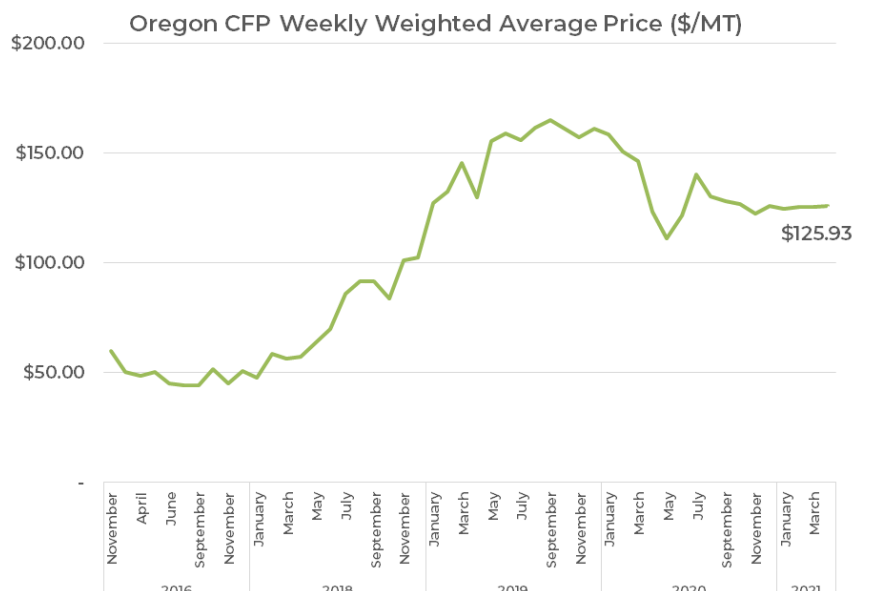
Credits (MT) Generated by Electricity  
Q1 2016 - Q4 2020



## OREGON CFP MARKET UPDATE

The [Oregon Clean Fuels Program \(OR CFP\)](#) average prices for Q1 2021 were steady, averaging at \$125.24/credit. April 2021 weighted average price remained higher at \$125.93 per credit, up \$0.48 from March 2021 average price of \$125.46 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 SRECTrade to start generating revenue from your clean energy assets.](#)

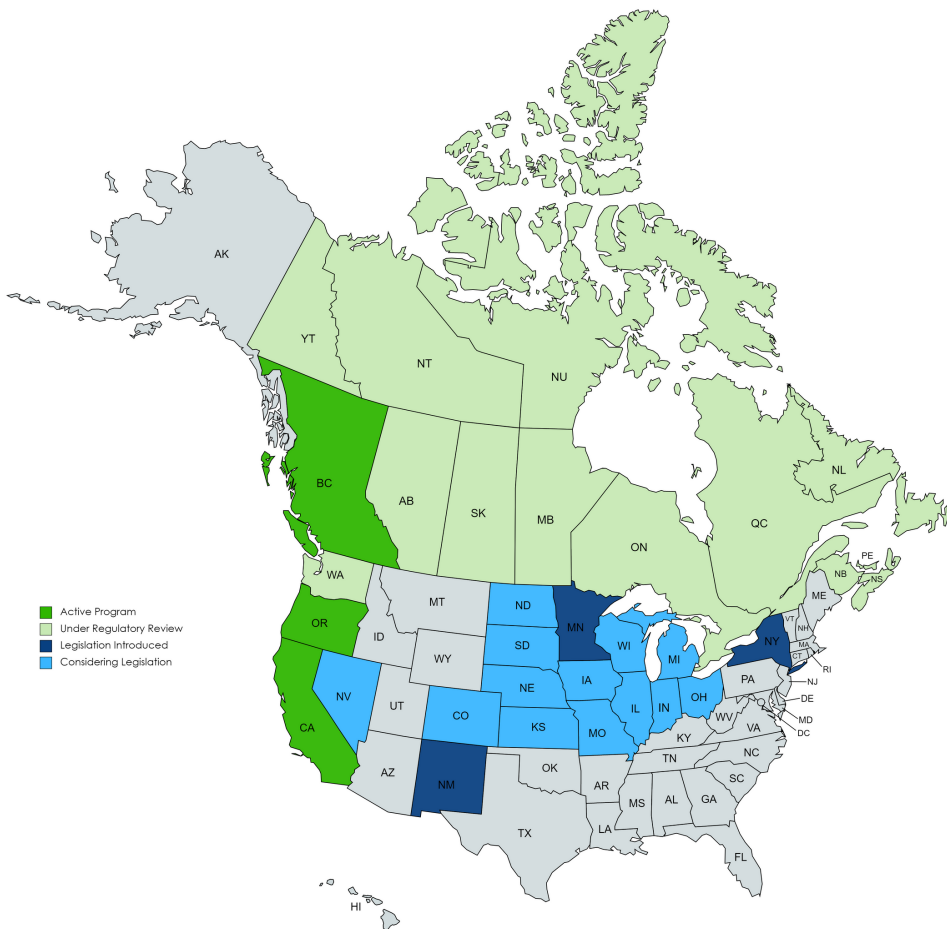


## CLEAN FUEL PROGRAM UPDATES

### 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 Becomes Next State to Adopt Clean Fuel Program

State lawmakers approved [HB 1091](#) to establish a Clean Fuels Program to reduce transportation emissions to 10% below 2017 levels by 2028 and 20% by 2035. Washington's Department of Ecology will begin developing the program which will launch by January 1, 2023. Clean fuel equipment in Washington will soon be eligible for this new incentive program which should operate similarly to the clean fuel standards in California and Oregon.

**If you operate clean fuel equipment in Washington, SRECTrade can help you prepare to take advantage of this upcoming 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 to support the clean fuel programs! Contact SRECTrade for more details.**

### New Mexico Comes Close to Adopting Clean Fuel Standard

State lawmakers failed to adopt [SB 11](#), which would have established a Clean Fuel Standard to reduce the carbon intensity of fuels by 10% below 2018 levels by 2030 and 20% by 2040. While the bill was approved by the Senate, it was not taken up for a vote in the House before the legislative session ended. If enacted, New Mexico would join California, Oregon, British Columbia, Canada, and now Washington State as jurisdictions with clean fuel programs.

## GRANT PROGRAMS UPDATE

### Diesel Emissions Reductions Act (DERA)

The [Diesel Emissions Reductions Act \(DERA\) Program](#) provides funding for a variety of vehicle applications to reduce emissions. Recent updates include:

- [Tribal and Insular Area Grants](#). Approximately \$5 million is available to tribal and insular area governments for projects that significantly reduce diesel emissions. Applications must be submitted by Friday, July 9, 2021 at 11:59 p.m. EST.
- [National Grants Program](#). Closed for 2021.
- [School Bus Rebates](#). Expected to reopen in the fall of 2021

### Carl Moyer Funding Available through BAAQMD

The Bay Area AQMD is accepting applications for the [BAAQMD Carl Moyer Memorial Air Quality Standards Attainment Program](#) (Carl Moyer Program), which funds the upgrade and replacement of on-road heavy duty vehicles. To learn more about Carl Moyer funding opportunities in your area, contact your [local air district](#).

### Newsom Announces Funding For Hydrogen

To support Governor Newsom's executive order to transition to clean fuel vehicles by 2035, the [California Energy Commission \(CEC\)](#) has allocated up to \$115 million to implement 200 hydrogen fueling stations in California. The stations will be able to charge fuel cell electric vehicles (FCEVs).

### \$34m Available in CA via VW Mitigation Fund

CARB recently announced funding of up to \$34mm through the VW Environmental Mitigation Fund to replace freight and marine projects with zero-emission equipment. Eligible equipment includes CA-sited heavy-lift forklifts, GSE, CHE, and shore power installation projects. Join the [Application Q&A Webinar on June 3, 2021](#).

### Fully Subscribed Programs

As of May 2021, Proposition 1-B, the **Goods Movement Emission Reduction Program** as well as the **California Clean Off-Road Equipment Voucher Incentive Project (CORE)** is fully subscribed.

### HVIP Reopens for New Voucher Requests

The [California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project \(HVIP\)](#) has about \$165 million available for funding. The program will start accepting new voucher requests starting June 8 2021, at 10:00am PT for its first group of applications. The next round of funding will open on August 10, 2021 at 10:00am PT.



### CALEVIP Launches New Incentive Project

CalEVIP recently launched the [Inland Counties Incentive Project](#), which opened for applications for organizations located in any of the 13 Inland Counties on May 18, 2021 at 9:30am PST. Funded by the California Energy Commission (CEC) and implemented by the Center for Sustainable Energy (CSE), a total of \$17.5 million is available for funding. The incentive program aims to provide rebates for installation of Level 2 and DC fast charging infrastructure, as well as technical assistance.

### VW Mitigation Fund Programs in New York

The [NY Truck Voucher Incentive Program \(NYTVIP\)](#), administered by NYSEDA, has \$4.8 million in funding to support the adoption of clean vehicle technologies. Similar to the CA HVIP, the NYTVIP provides vouchers for fleets to purchase clean transportation equipment to replace older diesel-engine vehicles.

[New York City's Clean Truck Program](#) provides \$3.7million in rebates for switching to zero and low-emission vehicles. The rebates are only available for fleet owners operating in the program-approved Industrial Business Zones.

Visit the [NY Department of Environmental Conservation website](#) for a comprehensive list of available incentives,



## 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 can help you manage and monetize FCI credits.

[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, SRECTrade manages 20 traded products in 10 regulated markets 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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