



201 California Street, Suite 630, San Francisco, CA 94111  
www.srectrade.com | 415.763.7732

Submitted electronically at <https://aq.ecology.commentinput.com/?id=DpgZ3>

April 25, 2022

Rachel Assink  
Rulemaking Lead  
Washington Department of Ecology

Dear Ms. Assink,

SRECTrade is a technology driven platform and services provider that helps provide equitable access to complex regulatory markets. As the largest third-party manager of environmental commodities in the United States, our goal is to accelerate deployment of clean energy assets while minimizing the time, cost, and risk associated with achieving financial return and compliance. As one of the largest third-party managers of fuel supply equipment (FSEs), we facilitate participation in the California Low Carbon Fuel Standard (LCFS) program and Oregon Clean Fuels Program (CFP) for a variety of public and private clean energy asset owners across multiple industries and sectors. SRECTrade is a wholly-owned subsidiary of Xpansiv, the global environmental commodity platform that enables organizations to achieve decarbonization and ESG goals with differentiated and renewable fuels, RECs, offsets and more while establishing market transparency, stability and financeability.

SRECTrade respectfully submits the following comments to the Department of Ecology (“Ecology”) in response to the draft Clean Fuels Program (CFP) stakeholder meetings.

### **Facilitate Exchange-Based Trading of CFP Credits**

SRECTrade encourages Ecology to consider enabling exchange-based trading of CFP credits. Current rules as drafted would only allow for over-the-counter (OTC) transactions. Exchanges provide more secure and cost-efficient means of transacting by removing barriers to entry and enabling better pricing transparency. This greater access and efficiency will increase confidence in the CFP market and ensure clear pricing signals translate to investment and utilization of low carbon fuels. Such benefits have been recognized in California’s Cap and Trade Program and LCFS, where entities providing clearing services have been identified and implemented in program rules (see below).

To achieve this, SRECTrade recommends the following:

- Add rule language that creates a new category of program participant, Clearing Service Provider (CSP), for the purposes of enabling spot and futures exchanges clearing services. A CSP would take temporary custodial ownership of CFP credits for clearing purposes.



201 California Street, Suite 630, San Francisco, CA 94111  
www.sretrade.com | 415.763.7732

- Require entities seeking to provide clearing of futures to be a licensed Derivatives Futures Trading Organization (DCO) registered with the Commodities Futures Trading Commission (CFTC). **Entities seeking to provide spot clearing of credits are not regulated by the CFTC and should not be subject to this requirement**
- No time limit for holding of CFP credits by clearing service providers. This would enable greater transparency and price discovery by giving sellers time and flexibility to find fair market value. Time limits for holding CFP credits will result in a very high volume of recorded transactions.
- Enable Clearing Service Provider to designate multiple users to administer account functions on their behalf, including by entities other than the CSP itself. This will enable greater efficiency.



201 California Street, Suite 630, San Francisco, CA 94111  
www.srectrade.com | 415.763.7732

Section 95483.1(a)(3) of LCFS regulations. Also see Section 95487(b)(B) for rules pertaining to clearing service accounts and transactions.

quantities of fuel for which the entity is claiming to be the fuel reporting entity pursuant to this subsection, the entity must retain documentation to support the demonstrations required in paragraphs 1. through 4., above, and must submit such documentation to the Executive Officer within 30 calendar days upon request.

(2) *Project Operators.* An entity that has a project approved for crediting or is applying for approval by the Executive Officer under section 95489 must apply to opt into the LCFS program as a credit generator.

(3) *Clearing Service Provider.*

(A) An entity providing clearing services in which it takes only a temporary possession of LCFS credits for the purpose of clearing transactions between two entities with registered accounts in LRT-CBTS, may apply to opt in as a clearing service provider if the following conditions are met:

1. The eligible entity must be a derivatives clearing organization as defined in the Commodities Exchange Act (7 U.S.C § 1a(9)) that is registered with the U.S. Commodity Futures Trading Commission pursuant to the Commodities Exchange Act (7 U.S.C. § 7a-1(a)).
2. The entity must register in the LRT-CBTS pursuant to section 95483.2(b).
3. The entity must be located in the United States, according to the registration information reported pursuant to section 95483.2(b).

(B) A clearing service provider cannot own credits but can hold LCFS credits up to five days for clearing purposes only.

(b) *Opting in Procedure.* The procedure for opting into and opting out of the LCFS for such a person is set forth as follows.

- (1) Opting into the LCFS program becomes effective when the opt-in entity establishes an account in the LRT-CBTS, pursuant to section 95483.2. The opt-in entity may not report and generate credits and deficits based on transactions that precede the quarter in which the entity opted in.
- (2) Establishing an account in the LRT-CBTS under subsection (b)(1) above means that the entity understands the requirements of the LCFS



201 California Street, Suite 630, San Francisco, CA 94111  
www.srectrade.com | 415.763.7732

Section 95814(a)(1)(C) of Cap and Trade Regulations. Also see Section 95830(c)(6), Section 95831(a)(5). Section 95921(d) and (h) for rules pertaining to clearing service accounts and related transactions.

**§ 95814. Voluntarily Associated Entities and Other Registered Participants.**

- (a) Voluntarily Associated Entities (VAE). An entity not identified as a covered entity or opt-in covered entity that intends to hold California compliance instruments may apply to the Executive Officer pursuant to section 95830(c) for approval as a voluntarily associated entity.
  - (1) The following list defines the entities that may qualify as voluntarily associated entities:
    - (A) An individual, or an entity that does not meet the requirements of sections 95811 and 95813, that intends to purchase, hold, sell, or voluntarily retire compliance instruments;
    - (B) An entity operating an offset project or early action offset project that is registered with ARB pursuant to subarticles 13 or 14. Entities qualifying as voluntarily associated entities under this subparagraph may hold offsets without needing to fulfill the requirements of section 95830(c)(1)(G). Entities qualifying as voluntarily associated entities under this subparagraph may also hold allowances, but only after fulfilling the requirements of section 95830(c)(1)(G); or
    - (C) An entity providing clearing services in which it takes only temporary possession of compliance instruments for the purpose of clearing transactions between two entities registered with the Cap-and-Trade Program. A qualified entity must be a derivatives clearing organization as defined in the Commodities Exchange Act (7 U.S.C § 1a(9)) that is registered with the U.S. Commodity Futures Trading Commission pursuant to the Commodities Exchange Act (7 U.S.C. § 7a-1(a)).
  - (2) An individual registering as a voluntarily associated entity must have a primary residence in the United States.
  - (3) Registration and Consulting Activities. An individual who provides cap-and-trade consulting services as described in section 95923 and also registers as a voluntarily associated entity in the tracking system must disclose to the



201 California Street, Suite 630, San Francisco, CA 94111  
www.srectrade.com | 415.763.7732

### **Application Programming Interface (API) for Washington FRS**

SRECTrade strongly encourages Ecology to implement an Application Programming Interface (API) for the Washington Fuel Reporting System (WA-FRS). As Ecology shifts to implementing the adopted rules, WA-FRS will become the central platform where program participants interact with the program - managing credit and deficit balances; submitting pathway reports, fuel transactions, and verification statements; registering facilities and assets; and formalizing credit transactions. This is also the central interface for regulatory staff to review, approve, and synthesize program data. The manual nature of using the California and Oregon reporting tool interfaces have proven labor intensive, prone to human-input error, and stifling to innovation that can dramatically improve how users interact with the program, especially as those programs grown in size.

An API is essentially a software intermediary that allows two applications to communicate. If API enabled, once Ecology establishes the WA-FRS, third-party developers would be able to build software tools that interact with the WA-FRS in the same way that a user will through their own interface, but with the efficiency and capability of computer software. Innovation costs are borne by the private industry, not Ecology staff.

APIs are already in use with success across environmental commodity programs. through various registries - the New England Power Pool Generation Information System (NEPOOL GIS) and PJM's Generation Attribute Tracking Systems (GATS) currently have APIs in place that are widely used as an acceptable means of data transfer. The benefits of APIs in these programs could be shared by the CFP program and participating community. We believe that these benefits would spur innovation and increase CFP program participation and program success.

**Thank you very much for your time and consideration as you review these comments. We welcome the opportunity for further clarification and discussion of our comments.**

A handwritten signature in black ink, appearing to read "Michael Saxton".

Michael Saxton  
Managing Director, Clean Transportation  
SRECTrade, Inc.  
(816) 210-9669  
mike.saxton@srectrade.com