

PineSpire

Thank you for considering the attached comments on the proposed Rule



March 14, 2022

WA Department of Ecology
Clean Fuels Program

Re: Comments on proposed Clean Fuels Program (Ch. 173-424 WAC)

PineSpire appreciates the opportunity to comment on the Clean Fuels Program rulemaking and recognizes the Department of Ecology's (DoE) commitment to developing a rule and processes that are both impactful and practical. We look forward to the success this program will bring to decarbonizing the transportation sector in Washington.

PineSpire provides Clean Fuels Program (CFP) services and associated fleet modernization and emissions reductions benefits to a broad range of partners and business types. The following comments are based on our expertise from operating in the CFP program in Oregon and LCFS program in California and aim to provide specific suggestions to make the rule effective and efficient.

Carbon Intensity Standard and Timeline

- PineSpire joins many other commentors to support the DoE in establishing early implementation of the program, with a CI reduction and compliance obligation in 2023. Specifically, we support both a compliance requirement and credit generation opportunity to be put in place sooner rather than later, so a robust marketplace can be established quickly. As the third CFP in the United States, many stakeholders are already up-to-speed on the program mechanisms, and this timeline is practical for all entities to participate and will be most consistent with the intent of the legislation.
- The importance of ensuring accuracy in the CI scores assigned to utilities and unique pathways are critical to establishing a basis of credibility for the program. We encourage the DoE to incorporate necessary tools, such as setting accurate standards in the GREET model to calculate the carbon cost of transporting out-of-state low carbon fuels into the state. This aspect of the CI score is critical to ensure the net GHG reductions at the core of the program and also supports Washington-based biofuel producers by recognizing their lower carbon-intensity scores associated with shorter/more direct fuel delivery. We also support pursuing additional level of detail in the GREET model to evaluate land-use impacts (i.e. farm-level inputs) which are a meaningful component of the overall pathway carbon-intensity and thus the integrity of the program.
- Finally, we support a cap on capacity-based credits and using this tool appropriately to incentivize capacity building that would not otherwise be attainable for specific areas (i.e., including a geographic component to ensure distribution of capacity infrastructure).

Credit Generation

The following suggestions are specific to the proposed language in the draft rule and inclusion of a wide-range of industry sectors:

- Priority of Credit Generation:
 - We appreciate DoE's improvements to the clarity of priority of credit generators. This is critical for participants as well as DoE staff's implementation of the program and assume it will be included in the final rule.
 - Specifically for Electric Forklifts, PineSpire supports designating the Fleet Owner as the first credit generator. This aligns with the capital investment made by equipment owners and there is adequate information available to consistently and clearly provide fleet reporting based on implementing this priority in California's system.
 - We recommend designating the charger as the FSE for Transport Refrigeration Unit credits. TRUs are more similar to vehicles than other material handling equipment in that they are mobile, are often (or mostly) charged at a variety of locations not owned by the TRU owner, and require an infrastructure investment to install a charger.



This would still enable entities that do own their fleet at charge 'at-home' to generate their credits, while also encouraging broader infrastructure investment by logistics entities and improve the registration and reporting process for credit generation (see additional comments below).

- For Multi-Family Housing units, PineSpire suggests further clarification in the primary credit generator to differentiate between the Owner and Service Provider. Additionally, providing the definition of multi-housing units for review as soon as available would be helpful for providing meaningful feedback.
- Inclusion of new EERs to widen industry adoption
 - Additional industries, particularly off-road equipment users like agricultural, timber, and construction are making strides in introducing low-carbon fuel alternative equipment. PineSpire recommends the DoE evaluating additional EERs to incorporate market-ready equipment at this time, such as electric tractors. While additional EERs may be applied for in a unique pathway, this option has not been used historically because it is cost-prohibitive and restrictive to implement at a practical level. It is through the DoE's inclusion of EERs in the regulation that the incentives for these new types of equipment can have a meaningful impact on market adoption.

Marketplace Management

- As drafted, the DoE is recognizing the importance of large-scale beneficiaries such as OEMs and Utilities being required to invest CFP proceeds in furthering adoption of low carbon transportation. PineSpire supports this proposal, while acknowledging the importance of allowing private businesses to manage credit proceed revenue as they see fit to incentivize their overall business success. This is appropriate as private businesses, unlike OEMs and Utilities, are not responsible for wide-spread availability of infrastructure or vehicle options.
- Washington has the benefit of learning from existing CFP markets in California and Oregon. To that extent, PineSpire supports DoE's proposal to implement market price caps through a CCM or other mechanism, similar to existing CFPs. In the same vein, PineSpire urges DoE to explore further market stabilization tools to provide a higher level of security to participants, enable financial planning (for deficit holders and credit generators), and instill wider confidence in the program. Stabilization may include management of inflow of new fuel sources, rigorous CI verification including for out-of-state fuel transportation, temporary market 'freezes' under certain trade conditions, or other methods.
- PineSpire supports the proposed inclusion of book-and-claim REC pathway as a mechanism to reduce CI and spur investment within the state in additional distributed generation projects. We look forward to seeing the Washington-specific analysis of unique utility CI scores and projected scores under the Clean Energy Transition to evaluate the scale of the REC/distributed generation opportunities.

Reporting

There are opportunities for DoE to clarify the proposed rules for registration and reporting:

Electric Forklift Registration and Reporting

- Draft Section (1)(h)(iii)(F) of the proposed rule currently includes the following: "it is optional to provide serial number assigned to each equipment by the OEM and the name of OEM". PineSpire strongly encourages the DoE to adopt language similar to California's Guidance 19-04 section 9(b)(ii) to "support prevention of duplicate claims" by specifically *requiring* a "list of forklifts charged at the registered facility." Additionally, Verification of serial number, rather than FSE location would enable DoE to set up the reporting system to automatically validate submittals more accurately, thus freeing up staff and participants from investing resources in re-verifying locational information. This is critical to ensuring credit generation integrity without preventing participation by entities that share facilities (such as 3rd party logistics, rental fleets, and tenants of large operational facilities).
- For electric forklifts, we recommend adopting California's method of applying the EER to model years 2011 and newer (rather than Oregon's 2016 designation). Many businesses maintain their fleets in good operating condition for well over a decade, which encourages sustainable use of all the resources and components in the machine, as well as making incentives available to early-adopters of electric equipment.



- To support implementation, adoption and spread of CFPs, we recommend aligning with CA and OR where practical. Specifically, we recommend adopting California Guidance 17-02 (and associated documents) establishing the methodology for determining Electricity Consumption of Electric Forklifts. This methodology is based on technical standards and enables broader participation across industries that own eligible forklift equipment.

Transport Refrigeration Unit Reporting

- As currently drafted, however WAC 173-424-220 Section (6) states the “owner of the electric charging equipment” that is the credit generator for TRUs. However, WAC 173-424-REG Section (1)(h)(iii)(G) ambiguously states the eTRU credit generator should provide the serial number “assigned to the unit”, implying it is the TRU to be registered even though it is the owner of the *charging* equipment that can generate credits. The cold-chain industry frequently includes a different TRU owner from the facility owner, meaning the entity investing in installing the eTRU charger and delivering the electricity, may not own the eTRU. PineSpire recommends reconciling these two draft rule sections and more clearly aligning the credit generation with the eTRU charger owner. This also resolves the difficult issue of trying to register a location of an eTRU as an FSE, when an eTRU is on a vehicle that is regularly moving locations throughout the course of a day, week, month and quarter.

Reporting Tools

There are broad opportunities for the DoE to implement a registration and reporting tool with improvements to portal functionality and guidelines to improve the efficiency for all parties involved, particularly DoE staff, including the following:

- Ability to edit an RU without having to submit an entirely new RU or correspondence
- Improving excel templates to align with the rules (such as including fields for associated facility or model year on the Forklift registration detail)
- Established processes and mechanisms for updating FSEs and associated equipment over time, as many operations have seasonal or operation imperatives that involve changes to their fleet or fleet locations
- Providing templates with broader ability to accept characters in all fields and/or publishing detailed technical guidance on the acceptable fields and characters

Thank you for seeking and incorporating input from stakeholders in the CFP. We look forward to continuing the process and participating in the roll out of the program.

Sincerely

Ryan Huggins, President
PineSpire