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Re: Proposed Clean Fuel Standard Rule

On behalf of the members of the Pacific Merchant Shipping Association (PMSA), thank you for the opportunity to provide comments on the proposed Clean Fuel Standard rule. PMSA represents ocean carriers and marine terminal operators in Washington and California. PMSA also directly participates in the California Low Carbon Fuel Standard (LCFS) program on behalf of its member companies, facilitating the implementation of credit generation resulting in the broad and comprehensive participation by the maritime industry. We look forward to participating in Washington's CFS as well and provide the following comments based on our experience in California.

Third-party Verification for eCHE, eOGV and eTRUs is Unnecessary and Diminishes Monetary Benefits

PMSA strongly urges deletion of the additional proposed third-party verification requirements for eTRU, eCHE, and eOGV activities. No clear and compelling justification exists for expanding third-party verification requirements to certain categories, including eCHE, eOGV, and eTRU. The proposed third-party verification requirements will prohibitively increase the costs of participating in the CFS program, thereby diminishing the benefits of such a program, without meaningfully improving the quality of the data gathered, and likely make program participation unavailable for some companies. The eTRU, eCHE, and eOGV category third-party verification proposal specifically impacts the maritime sector, unjustly targeting the one sector that generates the single greatest source of credits in California, and which has an unblemished multi-year track record, as PMSA has complied and successfully participated in the California program since its inception. We anticipate similar participation in Washington if the program compliance process is logical and not unduly burdensome.

All data collected over the course of the program is always available, and always has been available for CARB audit review upon request, at PMSA's expense. Third-party verification of these data sources upfront would not improve the existing high level of data quality or unparalleled availability of original data on demand. In California, PMSA utilizes reliable meter readings for equipment on dedicated circuits provided by the utility. In the few instances where utility meter data is not available, PMSA collects power consumption data directly from on-board telematic systems. As PMSA already utilizes the most accurate and reliable data sources for reporting electrical usage available, *third-party verification is simply unnecessary for eCHE, eOGV, and eTRU transactions.*

Further, unlike eCHE and eOGV, eTRU equipment are not based at only one specific facility and must be individually registered for each usage every quarter. The California LCFS regulation requires a new registration with a unique identifier based on the location. *PMSA can register 3,000 – 5,000 new FSE every quarter.* Due to this mobile nature and the immense quantity of eTRU activity and ongoing FSE

registrations, third-party verification is not even possible for eTRU equipment, especially for third-party verification site visits.

We respectfully request that the proposal focus on auditing requirements – which we would support – and avoid the costly third-party verification process.

Related to this issue are the extreme penalties for administrative errors. For instance, if a credit generator makes a reporting error in a quarterly report that results in excess credit generation and self-report that error before the end of the year, they would be subject to a potential penalty that is a multiple of the number of credits in error. Even a typo or data error could result in losing far more credits than could be generated, and like the Third-Party Verification process, could result in stifling participation.

Electrical Transaction Third-party Verifications Would be Challenging Timing Wise and May Result in a Barrier to Credit Generation Altogether

PMSA also has concerns regarding the timing and the frequency of reviews, as they may restrict access to credit generation. In many instances, utility data is made available with very limited time remaining prior to required submittal timelines. If third-party additional reviews are to be required, there may very well be insufficient time for a third-party to complete their review and verification to meet the deadlines for CFS credit generation in a specific quarter. Third-party verification for eCHE, eOGV, and eTRU transactions may cause reporting delays, thereby threatening credit generation and associated proceeds, further undermining the intent of the CFS program.

While we understand the Department of Ecology intends these changes to increase accountability and transparency in these transactions, as well as copy the CARB proposed changes, they must be balanced against the overall health and effectiveness of the CFS credit market. The participants in the current California program have demonstrated exceptional transparency and high participation rates, even during periods of very low prices for credit generation. The proposed changes to the CFS rule, threaten to restrict participation and access to the credit market.

We appreciate the opportunity to provide comments regarding the CFS rule. PMSA strongly urges Ecology to reject the proposed third-party verification requirements for eTRU, eCHE, and eOGV transactions. We welcome facilitating an ongoing conversation on how to effectively remedy any perceived issues as it relates to electric equipment activity by our members. Please feel free to reach out to us by email (jroyer@pmsaship.com) should you have any questions.

Sincerely,



Jordan Royer

Vice President for External Affairs