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Docket Number:	15-OIR-02
Project Title:	Modification of Alternative and Renewable Fuel and Vehicle Technology Program Funding Restrictions
TN #:	204705-5
Document Title:	Air Products' Response to 3103 Regulation Questions
Description:	N/A
Filer:	Patty Paul
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	5/22/2015 3:59:31 PM
Docketed Date:	5/22/2015

ARFVTP: 3103 Regulation Response Form

1. What are the possible impacts for your project with the credit discount provision and the timeframe for when you expect to generate credits.

As a recipient of CEC funding under the ARFVT program Air Products will still be investing significant funds in hydrogen infrastructure and hydrogen station cost share under PON-09-608 and PON-12-606. Additionally, Air Products cost to serve the minimum 33% renewable hydrogen supply under the ARFVT program incurs additional cost not fully off-set by the incremental reduction in the carbon intensity of hydrogen and resulting value of carbon credits.

As a supplier of hydrogen used as a transportation fuel in light duty fuel cell electric vehicles, Air Products is not a regulated party under the California LCFS or initiatives under AB 32; however, with the commercialization of fuel cell vehicles in 2015 we could opt-in to the LCFS to recover a portion of our capital and operating costs for infrastructure development and hydrogen supply.

Air Products' cost-share investment in hydrogen infrastructure in California far exceed the expected value of LCFS credits forecasted to be earned during our three year performance period where the number of fuel cell vehicles and resulting credits earned are expected to be low.

2. We would also like to provide you the opportunity to provide a statement for our record.

The California Energy Commission may want to consider the elimination of the LCFS credit discount provision related to the ARFVT program set forth in the LCFS regulation in order to minimize short-term financial loss to early market hydrogen infrastructure suppliers. Our company's cost-share investments far exceed the full value of LCFS credits forecasted to be earned during our three year performance periods, so discounting LCFS credits results in a higher overall financial loss.

Air Products would like to commend the California Energy Commission for taking the initiative to understand the underlying facts on the cost and benefits of hydrogen infrastructure development in the early years and taking a leadership position to effect a successful transition to hydrogen fuel cell electric vehicle.