

FAQ: Argus LCFS assessments



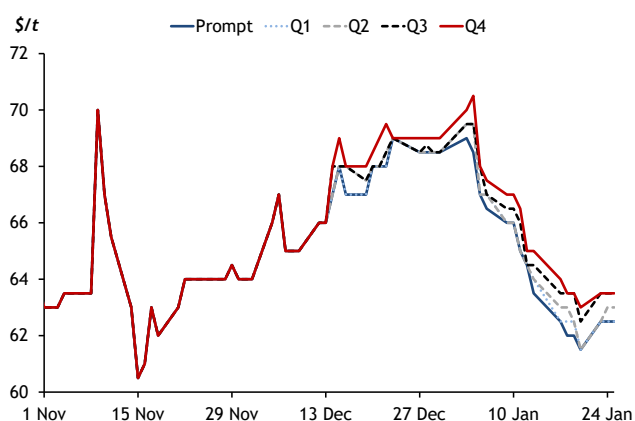
Argus leads the way in low-carbon fuel standard (LCFS) prices by providing both prompt and four forward calendar assessments

Why do customers care about forward price assessments in the LCFS market?

If your railcar of biofuels will not earn credits until it is coming off the rack, does it make sense to price it against a prompt LCFS index?

Align your sales and purchase prices with *Argus*' first, second, third and fourth-quarter forward LCFS assessments. Less risk, more predictability.

LCFS assessments



In March 2020, *Argus* expanded its California LCFS assessments to include those for spot delivery and for delivery during the first four forward calendar quarters, based on the same trusted and rigorous *Argus* methodology. In addition to the California LCFS program, *Argus* also assesses the Oregon LCFS spot market daily. Market coverage includes

¢/USG premiums for ethanol, biodiesel and alternative jet fuel, and compliance costs for gasoline and diesel.

What is the LCFS?

LCFS programs aim to reduce the carbon intensity (CI) of fuels such as gasoline and diesel, and provide incentives to supply an increasing range of low-carbon alternatives. Refiners, fuel importers and wholesalers attain compliance through credits generated by supplying low-carbon fuels. These can then be traded and banked, which will help in the coming years when targets become more stringent. For renewable fuel producers, it is crucial to see the LCFS assessments and understand how environmental credits are supporting investments in this sector, while obligated parties need to understand their compliance obligations.

How does it work?

The California LCFS currently requires a 20pc cut in the carbon intensity of transportation fuels from a 2010 baseline by 2030, but the California Air Resources Board will carry out a rulemaking process this year that will include considering the introduction of tighter targets. Oregon regulators in September 2022 adopted more stringent Clean Fuels Program (CFP) targets. The state will target a 20pc reduction in transportation fuel carbon intensity by 2030 compared with a 2015 baseline and a 37pc reduction by 2035.

Fuels are issued carbon intensity scores based on lifecycle greenhouse gas emissions — fuels above targets (gasoline, diesel) generate deficits, while low-carbon alternatives (such as renewable diesel, sustainable aviation fuel, renewable natural gas, biodiesel, electricity and ethanol) generate credits.

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Who are the principal users of LCFS assessments and why?

Biofuel producers will be:

- Incentivized to increase production targeted at states with LCFS programs based on profitability analysis

Supply managers/distributors will be able to:

- Use LCFS forward pricing to match biofuel rack sales in California
- Better evaluate the timing of deals against their broader supply portfolio

Pricing analysts and project managers will be able to:

- Understand forward pricing that reflects true market conditions
- Design offtake agreements with competitive results

How does Argus cover the LCFS markets?

The full suite of LCFS assessments are published in the [Argus Air Daily](#) and [Argus Americas Biofuels](#) reports.

We also provide insight into the latest industry news and market developments, including regulatory and legislative updates, to help explain what is driving prices.

Methodology and PA codes:

- California LCFS credits prompt: PA0010766
- California LCFS credits quarter 1: PA0029081
- California LCFS credits quarter 2: PA0029081
- California LCFS credits quarter 3: PA0029081
- California LCFS credits quarter 4: PA0029081
- Oregon LCFS credits prompt: PA0020213

Argus prices are reliable and representative indicators of commodity market values, based on information received from a wide cross-section of market participants.

For more detail, take a look at our methodology

- [Argus Americas Biofuels methodology](#)
- [Argus Air Daily methodology](#)

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