

# FAQ: Argus LCFS Assessments



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

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

Are you paying full price for credits that you will not receive until the next quarter? If your railcar of biofuels will not earn credits until it is coming off the rack, should you be pricing it with a prompt LCFS index?

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

## What is the LCFS?

LCFS programs lower 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 critical to see the LCFS assessments and understand how environmental credits are supporting investments in this space, while obligated parties need to understand their compliance obligations.

## How does it work?

California LCFS currently requires a 20pc cut in the CI of transportation fuels from a 2010 baseline by 2030. The California Air Resources Board has been working on a new scoping plan for reducing emissions and is looking at how the LCFS program fits in, which will be followed by its rulemaking.

Oregon's Clean Fuels Program requires a 10pc cut by 2025. The state's Department of Environmental Quality recently began

work to deepen the CI reductions required by its program and extend targets beyond 2025.

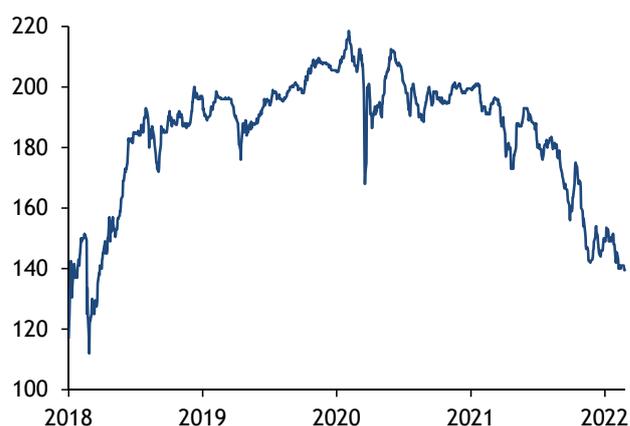
Fuels are issued CI scores based on lifecycle GHG emissions:

Fuels above targets (gasoline, diesel) generate deficits.

Low-carbon alternatives (including renewable diesel, sustainable aviation fuel, renewable natural gas, biodiesel, electricity and ethanol) generate credits.

California LCFS spot prices

\$/t



## LCFS assessments – four forward calendar quarters

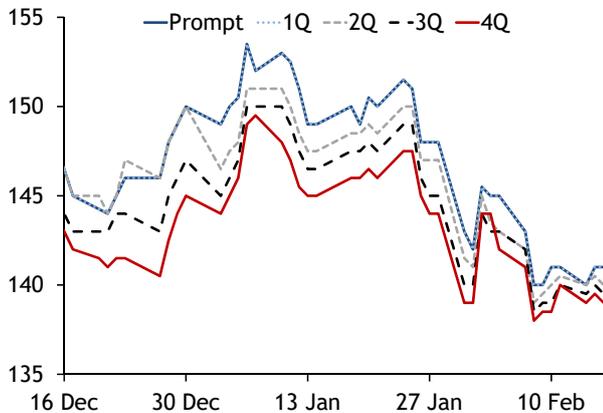
In March 2020, *Argus* expanded the California LCFS assessments to include those for spot delivery and for delivery during the first four forward calendar quarters, based on the same trusted and rigorous *Argus* methodology. In addition to the California LCFS program, *Argus* also assesses

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the Oregon LCFS market daily. Market coverage includes €/USG premiums for ethanol, biodiesel and alternative jet fuel, and compliance costs for gasoline and diesel.

### California LCFS credits price

\$/t



### Who are the main 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:

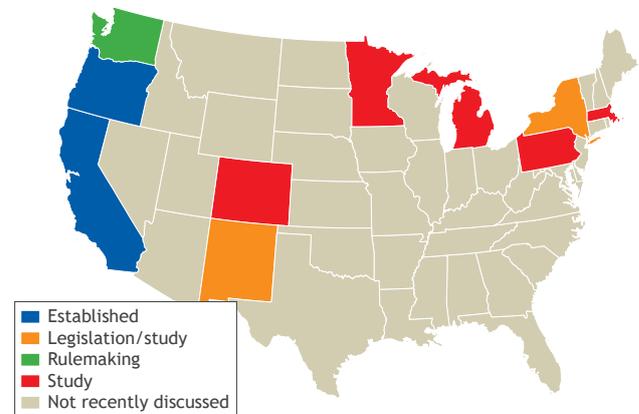
- understand forward pricing that reflect true market conditions
- design offtake agreements with competitive results

### What other clean fuel programs are on the horizon?

We continue to monitor all potential LCFS programs in the US and Canada. Washington state and Canada, respectively, will

launch the next two programs and we are tracking other state proposals (see map).

### New states contemplating LCFS



### How does Argus cover the LCFS markets?

The full suite of LCFS assessments and market coverage are in the *Argus Air Daily* and *Argus Americas Biofuels* reports.

### 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 Air Daily* methodology

*Argus Americas Biofuels* methodology

### For more information:

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