

10/27/2022

Dear Hydrogen Fuel Cell Vehicle Customers,

As some of you may know, Iwatani relies on an especially important program created by the California Air Resources Board called the Low Carbon Fuel Standard (LCFS) Program. The LCFS revenue Iwatani earns by investing in hydrogen fueling station capacity in support of zero emission vehicle adoption and for the dispensing of hydrogen into Hydrogen Fuel Cell Vehicles (HFCV's) partially mitigates the cost of procuring hydrogen and the early start-up costs incurred to help create the hydrogen infrastructure necessary to achieve our collective goals for decarbonization in California.

In the past year, LCFS credit prices have fallen by more than 60% which in turn has a significant impact on revenue. To help support decarbonization and the adoption of Hydrogen Fuel Cell Vehicles, Iwatani has absorbed this impact throughout 2021 and year to date in 2022, without passing the effect on to customers. Additionally, the cost to procure Hydrogen has also increased over this time, driven by feedstock costs and inflation.

While we constantly monitor these trends, we expect it could take more than a year for the LCFS Credit market to begin to turnaround. Therefore, and regrettably, Iwatani must begin the process of adjusting dispenser prices higher at all Iwatani stations in California to reflect the LCFS market realities, higher procurement costs and inflation. The price adjustment will be made in steps. The initial adjustment will go into effect on November 1, 2022 and the new price will be \$24.99 / Kg. A second upward adjustment is expected to be implemented on January 1, 2023. The amount of the adjustment is under review.

Iwatani remains committed to investing in California's Hydrogen Infrastructure, supporting the adoption of HFCV's and will continue to work with its Hydrogen Station Technology Providers to improve On-Line performance at our stations. In 2022, Iwatani, with private funding, expects to commission five new Hydrogen Fueling Station in Southern California that, in total, will add ten new fueling positions and 4,000 Kg of fueling capacity. We also expect for lower cost sources of hydrogen to come on-line in the next couple of years which should also allow for less dependence on the LCFS Program over time.

We deeply appreciate your understanding and your commitment to decarbonization.

We remain deeply committed to you.

Thank you,

Iwatani Corporation of America

https://ww2.arb.ca.gov/sites/default/files/2020-07/2020_lcfs_fro_oal-approved_unofficial_06302020.pdf

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