



July 15, 2014

Transmitted via Electronic Mail

The Honorable Mary D. Nichols
Chairman
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Subject: Credit for Sustainable Alternative Jet Fuel under the California Low Carbon Fuel Standard

Dear Chairman Nichols:

On behalf of Airlines for America (A4A), I write to request that the California Air Resources Board (CARB) include sustainable alternative jet fuel as an eligible credit-generating fuel under the Low Carbon Fuel Standard (LCFS).¹ The U.S. airline industry has a strong record of fuel efficiency improvements and greenhouse gas (GHG) emissions reductions, and A4A and its members seek to build further on that record through the development and deployment of sustainable alternative jet fuel. There is particularly great interest among A4A members and biofuel producers in producing and utilizing such jet fuel in the California market. Sustainable alternative jet fuel (hereinafter referred to as “bio-jet fuel”) is a “drop-in ready” fuel product – fully compatible with and capable of replacing petroleum jet fuels – that can be sustainably produced through the processing of waste oils and other biomass-based feedstocks, thereby resulting in reduced lifecycle GHG emissions relative to petroleum-based jet fuel. Unfortunately, the production of bio-jet fuel is currently *disincentivized* in California because biofuel producers can only generate LCFS credits for biofuel that displaces conventional ground transportation fuels. Without a regulatory change that would allow LCFS credits to be created for bio-jet fuel, the production and use of this product in California is unlikely to reach its full potential.

For the past several decades, the U.S. airlines have dramatically improved fuel and GHG efficiency by investing billions in fuel-saving aircraft and engines, innovative technologies like winglets (which improve aerodynamics) and cutting-edge route-optimization software. As a result, between 1978 and 2013, the U.S. airline industry improved its fuel efficiency by 120 percent, resulting in 3.6 billion metric tons of CO₂ savings – equivalent to taking 22 million cars off the road on average in each of those years. Further, data from the Bureau of Transportation Statistics confirms that U.S. airlines burned 8 percent less fuel in 2013 than they did in 2000, resulting in an 8 percent reduction in CO₂ emissions, even though they carried 17 percent more passengers and cargo on a revenue-ton-mile basis.

But our airlines are not stopping there. A4A and our members are part of a global aviation coalition that has committed to a 1.5% annual average fuel efficiency improvement through 2020 and carbon neutral growth from 2020, subject to critical aviation infrastructure and technology advances achieved by government and industry. The initiatives our airlines are undertaking to further address GHG emissions are designed to responsibly and effectively limit their fuel consumption, GHG contribution and potential

¹ A4A is the principal trade and service organization of the U.S. scheduled airline industry. A4A members and affiliates transport more than 90% of U.S. airline passenger and cargo traffic. The members of the association are: Alaska Airlines, Inc.; American Airlines Group (American Airlines and US Airways); Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation.; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Continental Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

climate change impacts, while allowing commercial aviation to continue to serve as a key contributor to the U.S. economy.

The availability of bio-jet fuel in significant quantities is one key pillar to the achievement of the industry goals, and A4A and its members are working to lay the groundwork for the establishment of a sustainable aviation biofuels industry. A4A is a founding member of the Commercial Aviation Alternative Fuel Initiative[®] (CAAFI), a public-private partnership with the Federal Aviation Administration (FAA) and other stakeholders that is working to hasten the development and deployment of such fuels. Among other accomplishments, CAAFI helped lead the effort for specifications certifying three alternative jet fuels. In California, United Airlines has executed an agreement with AltAir Fuels for the purchase of up to 15 million gallons of renewable jet fuel over a three-year period to begin at the end of 2014. However, to materially expand this positive economic and environmental opportunity, other similar biofuel production facilities will need to be financed and built. Enabling bio-jet fuel to create LCFS credits would create a strong financial incentive that would help improve the economics of such new facilities and also encourage existing facilities to upgrade or implement the process changes needed to produce bio-jet fuel along with ground transport biofuels. Currently, there is little incentive for biofuel producers selling into the California market to expand their production to include bio-jet fuel because doing so would mean foregoing a valuable credit under the LCFS.

We agree with CARB's general exemption of aircraft fuels from California's LCFS mandates.² Subjecting aircraft fuels to annual "carbon intensity" standards would raise serious federal preemption issues and would not be appropriate given the rigorous jet fuel specifications that make producing jet fuels a "higher hurdle" than producing ground-based fuels. However, CARB does have the authority to amend the LCFS regulations to create *incentives* to promote the use of low carbon, bio-jet fuels in aircraft by allowing credit for such fuels. By promoting the voluntary production and use of bio-jet fuel, CARB would not cross the line into impermissibly regulating aircraft fuels, but rather would simply be creating opportunities for airlines to better support California's GHG objectives while also working toward our own aggressive industry goals.

Notably, allowing bio-jet fuel to generate LCFS credits would be a measure fully in line with the U.S. Environmental Protection Agency's approach under the Renewable Fuel Standard (RFS) regulations. The RFS explicitly allows for the generation of Renewable Identification Numbers (RINs) for the production of bio-jet fuel, although the RFS appropriately does not mandate the production or use of any volume of aviation biofuel.

A4A strongly urges CARB to adopt a similar approach to expand opportunities for new biofuel production facilities and create additional compliance flexibility for regulated parties. Several stakeholders have previously suggested allowing such a credit for bio-jet fuel under the LCFS. Although CARB declined to include such a provision in the original regulations, it committed to revisiting the issue during the mandatory program review in 2011.³ While CARB did not address the issue in the 2011 program review, we urge CARB to do so now. Given the strong interest in bio-jet fuel in California and CARB's plans to formally propose amendments to the LCFS later this summer, we believe the time is ripe for CARB to include a provision crediting the production of such fuel.

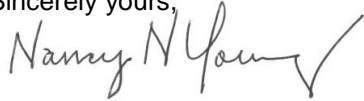
² See Cal. Code Regs. tit. 17, § 95480.1(d) (2011).

³ See Final Statement of Reasons at 285-286 (December 2009).

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A4A and our member airlines would appreciate the opportunity to meet with CARB officials in the coming weeks in order to discuss this much-needed regulatory incentive. I will follow up with your office to see when such a meeting might be possible. Thank you in advance for your consideration.

Sincerely yours,

A handwritten signature in cursive script that reads "Nancy N. Young". The signature is written in black ink and includes a checkmark at the end.

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