



Clean Fuels Clearinghouse
1210G Salazar Road
Taos, NM 87571
Phone: 575-377-3369
Fax: 575-751-7482

Home of:



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Renee Littaua
Manager, Alternative Fuels Section
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Delivered via. E-Mail
Transmission

Christina Zhang-Tillman
Co-Lead, LCFS CRT System
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Greg O'Brien
Co-Lead, LCFS CRT System
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Subject: Proposal of Third-Party LCFS Credit Tracking and Reporting Solution

Dear Renee / Christina / Greg,

On behalf of the 200 plus companies that we serve through the RINSTAR® Renewable Fuel Registry, Melissa Donovan, and myself, I am writing to express our appreciation for having had the opportunity to participate in the CRT workshop this past week and to let you know that we are enthusiastic about the prospects of assisting the Air Resource Board in the cost effective implementation of the LCFS.

In offering our assistance, and in the interest of the timely and effective implementation of the LCFS, I would like to ask that you give consideration to contracting and/or licensing the use of our fuel credit tracking technology. Over the past 3 years we have developed and implemented a system at the federal RFS level that addresses virtually every fundamental factor that ARB will face when implementing this LCFS program. We have processed over 11 billion 60 million gallon transactions and are collaborating with EPA today to serve as a conduit for the hundreds of companies in the supply chain who interact on our system each day, all of which will soon be affected by the proposed EPA Moderated Transaction System (EMTS).

We see an opportunity to work together with the State of California and ARB to provide an industry proven third-party solution. In fact, subsequent discussions with 3 companies present at the meeting leads me to believe that you will find support from within the industry for such an approach. Furthermore, this approach would seem to be supported by the language in the Notice of Public Hearing Considering the Adoption of a Proposed Regulation to Implement the Low Carbon Fuel Standard, more specifically under the heading HEARING PROCEDURES, item #2 supports “Inclusion of a schedule of fees, to be paid by the regulated parties, to fund the use of third-party services.....”

With the genuine interest of the LCFS program at heart, and the interest of the many companies that we serve today, I offer this as an option for you to consider. Furthermore, I see an opportunity to develop and implement such a solution having little to no cost on the part of California, provided that we can strike an agreement that will permit fees to be charged based upon transactional activity by those who utilize the service.

I realize that time is of the essence with this project and would therefore hope to hear your thoughts and interests in exploring this opportunity as soon as possible. If you see this as a possible option, I would suggest a meeting in your offices within the next couple of weeks to discuss more of the details and to demonstrate our capabilities.

In the meantime, I would like to share with you the primary observation that we came away with from the working meeting and our understanding of the proposed LCFS regulations – tempered with the benefit of our experiences in the RFS RIN program.

Key Factors Impacting Implementation and Overall Success:

- 1) Limited Time for both development and implementation
- 2) Need to optimize resources and expenses
- 3) A system design that will accommodate all affected parties, small, large, in-state, out-of-state, petroleum, biofuels, as well as emerging and future technologies.

Fundamental Program Considerations:

1) Reporting Frequency

Quarterly or Daily? – Experience from the federal RFS RIN program strongly supports the need for a centralized clearing of transactions on a daily basis. Excessive errors, abuses, and the difficulties in enforcement, have lead EPA to develop the EPA Moderated Transaction System (EMTS). We are collaborating with EPA on this system now and see opportunities to leverage much of this work to benefit ARB.

2) Methods for Data Submission

CRT Web Interface and/or automated Direct XML file submission? Due to the massive quantity and frequency of data transmission, most of the regulated parties will need to

submit transactional data directly to ARB's database through a standard data protocol such as XML. Recognizing that the federal RFS RIN program has moved in this direction, CARB could further minimize the impact on affected parties by adopting a complementing strategy. The CRT web interface serves to define the framework of data required and should still be developed to support smaller operators. Properly developed, the CRT web interface could interact with the central database much the same way through XML transmission of data.

3) System Design

The overall effectiveness of the LCFS will depend in large part on a robust design which accommodates both regulatory elements and commercial needs while eliminating the opportunity for abuse and fraud, nor creating false barriers to advanced fuels. More specifically, the credit tracking and reporting methods will need to accommodate commingling of product in the fungible product system while preserving the maximum Carbon reduction benefits from the advanced motor fuel. History has shown that paper credits are easily misrepresented, either by "honest mistakes" or acts of fraud, facilitating the need for authentication by an official body. The system will need to accommodate each of these requirements in order to properly incentivize and reward companies that endeavor to deliver these advanced low carbon fuel products to the consumer.

In closing I would like you to know that we are here to help and look forward to working with you even more in the future. Your thoughtful reply will be most appreciated and will serve to guide us in our ongoing efforts.

All the Best,



Clayton McMartin II
President
Clean Fuels Clearinghouse

CC: Dean Simeroth, California Air Resource Board
Melissa Donovan, Clean Fuels Clearinghouse

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