

February 11, 2009

Michelle Werner
Co-Lead, Policy and Regulatory WG
California Air Resources Board
1001 I Street
Sacramento, California 95812

Dear Ms. Werner:

The purpose of this letter is to provide formal comments regarding recent amendments to the draft low carbon fuel standard (LCFS) regulation, as discussed at the January 30, 2009 public workshop in Sacramento. Specifically, the National Biodiesel Board (NBB) recommends a more rapid implementation of California's carbon reduction goals.

While the NBB commends the California Air Resources Board (ARB) for embracing biodiesel as a key component of its plan to reduce the carbon intensity of the state's diesel fuel, we believe more could be done quicker – much quicker, in fact. Based on our analysis, which assumes a ratio of 50 percent California-based biodiesel from waste feedstocks and 50 percent soy-based biodiesel from the Midwest, the current LCFS implementation schedule will not require more biodiesel to be used in the state than is currently being utilized until the year 2013ⁱ.

While an implementation schedule that includes a gradual phase in seems prudent, the current schedule is back loaded to such an extent that reductions in greenhouse gas emissions in the state will not occur until the fourth year of the program. We view this as a significant missed opportunity and believe the schedule should be re-evaluated in light of the following facts:

- 2.6 billion gallons of biodiesel production capacity is available in the U.S., 60 million of which resides in California;
- Only 700 million gallons of this capacity is currently being utilized, leaving 1.9 billion gallons of ready capacity in the U.S. and as much as 50 million in California;
- At least 1.8 billion gallons of U.S. derived feedstock is currently available without increasing prices to consumersⁱⁱ;
- All major original engine manufacturers approve the use of biodiesel in their engines at levels consistent with those required to meet the program's goals in the first six years;
- Biodiesel has been shown to reduce greenhouse gas emissions by 40 to 80 percent relative to petroleum-based diesel fuelⁱⁱⁱ.

For these reasons, the NBB proposes the following amendments for the ARB's consideration. Please note that our organization does not recommend changes to the schedule for years 2016-2020 at the present time.

Year	Air Resources Board Draft Schedule			National Biodiesel Board Proposed Schedule		
	Proposed Reduction	Blend Required	Volume (in millions)	Proposed Reduction	Blend Required	Volume (in millions)
2010	None	NA	0.00	.75	B1.41	56.4
2011	0.25	B.56	22.4	1.0	B1.88	75.2
2012	0.5	B.94	37.6	1.5	B2.82	112.8
2013	1.0	B1.88	75.2	2.0	B3.76	150.4
2014	1.5	B2.81	112.4	2.5	B4.7	188.0
2015	2.5	B4.69	187.6	3.0	B5.64	225.6

Finally, although the NBB realizes this issue is not within the ARB's direct purview, it should be mentioned that accelerating the implementation schedule would result in considerable economic benefits during a challenging economic time. The NBB's experience has been that production follows demand. In other words, states that use significant quantities of biodiesel also tend to produce significant quantities of biodiesel. Because biodiesel production facilities require relatively modest levels of investment when compared to other types of fuel refineries, supply is able to follow demand quite closely. As such, we are highly confident that increased short-term demand in California would result in increased short-term investment, yielding more production and high-quality "green" jobs.

Once again, I would like to express our organization's appreciation to the ARB for including biodiesel in its comprehensive greenhouse gas reduction policy. We look forward to working with you to ensure successful implementation of the nation's first low carbon fuel standard.

Sincerely,

Shelby Neal
Director of State Governmental Affairs

ⁱ Calculation based on a carbon intensity value of 80 percent for waste derived biodiesel and 40 percent for soy derived biodiesel.

ⁱⁱ Please see attached study entitled "Feedstock Supplies for U.S. Biodiesel Production."

ⁱⁱⁱ Results vary depending upon the study and feedstock analyzed.