

March 25, 2009

The Honorable Arnold Schwarzenegger
Office of the Governor
State Capital
Sacramento, California 95814

RE: Concerns Regarding Proposed LCFS Regulation

Dear Governor Schwarzenegger,

We are writing with regard to the proposed California Low Carbon Fuel Standard (LCFS). As you may know, the American Farm Bureau Federation (AFBF) is the unified national voice of agriculture, working through our grassroots organization to enhance and strengthen the lives of rural Americans and to build strong, prosperous agricultural communities.

Increasing America's energy resources and protecting national security by reducing our dependence on foreign oil and continuing to grow our domestic renewable fuels industry are among the most important challenges facing our country. As farmers and ranchers we believe that we can play an important role in lessening our dependence on foreign oil. We are concerned, however, about the direction of the current LCFS proposal.

From our understanding, the LCFS was originally intended to allow all eligible fuels to compete on a level, carbon-based playing field. There is widespread agreement in the scientific and research communities that biofuels produced from U.S. farms have significant benefits over petroleum and other fossil fuels like natural gas based on the "cradle to grave" carbon emissions associated with producing and using the fuel. For example, soybean-based biodiesel receives a CA-Greenhouse gases, Regulated Emissions and Energy use in Transportation GREET carbon intensity score of 26 g/MJ, while corn-based ethanol receives a score of 67 g/MJ. Advanced biofuels like cellulosic ethanol and renewable diesel have even better carbon scores. These numbers are considerably lower than California gasoline and diesel, which CA-GREET scores at 96 g/MJ and 95 g/MJ, respectively.

To be clear, the CA-GREET model accounts for the carbon emissions directly attributable to the full lifecycle of the respective fuel. For biofuels CA-GREET includes the application of fertilizer, and the land directly converted to produce biofuel feedstocks. For petroleum CA-GREET includes major upstream refinery emissions. In both cases, transportation and combustion of the fuel is included.

Unfortunately, the Air Resources Board (ARB) is proposing to enforce an additional carbon penalty against biofuels only, increasing the carbon score of these fuels by 40 percent or more. ARB staff calls the penalty "indirect land use change." The effect is a "market-mediated" or "economic carbon effect" derived by running estimated future biofuel demand through an economic model.

The problem with this proposal is two-fold: (1) the science of predicting indirect, economically-derived carbon effects is extremely new and uncertain; and, (2) no level of certainty justifies enforcing economically-derived carbon effects against only one type of fuel.

As to the issue of uncertainty, we note that 111 scientists submitted a letter detailing the state of the science and recommending against premature enforcement of indirect effects. We also point out that AIR, Inc. released a study showing that increasing corn ethanol production in 2015 to the same levels modeled by ARB results in zero indirect land use change based on updated treatment of biorefinery co-products and crop yields. It is particularly troubling to AFBF that the current model runs for indirect land use change do not include inputs for the use of land enrolled in the Conservation Reserve Program (CRP) and idle cropland. The omission of CRP and idle land is problematic because any farmer looking to produce additional biofuel feedstock is most likely to look first to idle cropland so as not to disrupt current cash flows. A land use assessment without this factor is quite simply not credible or based on real world decision-making.

As to the issue of selectivity, it is clear that all fuels have market-mediated carbon effects. But only biofuel is penalized for indirect effects. As stated in the scientist letter, “[e]nforcing different compliance metrics against different fuels is the equivalent of picking winners and losers, which is in direct conflict with the ambition of the LCFS.”

It is important to note that U.S. farming practices continue to advance both in sustainability and productivity. According to the United States Department of Agriculture (USDA), in 2008 American farmers produced the second largest corn crop on record and attained the second highest yield per acre in history with fewer energy and fertilizer inputs. Also, the distillers grains that are a co-product of ethanol production are playing a major role in providing livestock—in the U.S. and abroad—with high-protein, nutrient rich feed.

The agricultural community is eager to play a central role in the increased use of biofuels. However, if adopted as currently proposed, the LCFS will uniformly dissuade the production and use of all forms of biofuels that utilize land and undercut what is a tremendous opportunity to spur economic growth in agricultural communities and reduce carbon emissions with American farming.

Several different stakeholder groups, including the 111 scientists who submitted a letter to your office on March 2, recommended that ARB adopt an LCFS regulation based only on direct carbon effects, or those emissions directly attributable to the production and use of the particular fuel, while taking the lead on the further assessment of the indirect carbon effects of all fuels. AFBF believes that a regulation based on direct effects will be balanced and represents the “level playing field” your office envisioned at conception of the program.

Thank you for your time and consideration. AFBF appreciates this opportunity to comment on this vitally important program.

Sincerely,



Bob Stallman,
President