



April 20, 2009

Governor Arnold Schwarzenegger
State Capitol
Sacramento, CA 95814



Dear Governor Schwarzenegger:



The undersigned organizations are writing you to express our alarm at the fact that the California Air Resources Board (CARB) is planning on adopting a new carbon intensity (CI) specification for diesel fuel, under the Low Carbon Fuel Standard (LCFS), without actually completing several important elements of the regulation or the legally required multi-media assessment of biodiesel that is currently underway. CARB should take the necessary time to complete the regulation before adopting it.



California businesses and industries rely on a reliable and affordable supply of high quality diesel fuel to farm, build, and move people and goods. Our members' businesses are not generally in a position to pass along costs of doing business, and many of them are subject to competition from non-California businesses. They already pay the highest energy and fuel costs in the nation.



These facts are always important, but today's economic conditions heighten their importance. A recent study indicates that compliance with the diesel CI specification in the LCFS may result in increased diesel costs to motorists of \$637 million annually. Any reformulation of California's diesel fuel supplies must be carefully vetted to ensure that it does not cause operational problems or have supply or price impacts.



In order for the Low Carbon Fuel Standard's diesel carbon intensity specification to meet the legal requirements for new fuel regulations and protect the reliability and affordability of California's diesel fuel supplies, we believe you need to direct the ARB to complete the following elements of the diesel CI specification in the LCFS:



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The proposed regulation is missing carbon intensities for biodiesel, renewable diesel, and advanced renewable diesel. As a result, it is impossible to say how much biodiesel or renewable diesel will be necessary to comply with the diesel CI specification. Since 94% - 100% of the diesel CI specification requirements will be met with these fuels, the absence of CI values for them is untenable.



The ongoing multi-media analysis for biodiesel is not complete. The LCFS will set a CI specification for diesel fuel that will require blending unknown amounts of biodiesel, but the legally required multi-media analysis has not yet been completed.



The economic analysis of the supply and price impacts of the diesel fuel CI specification is not credible. The underlying issue in assessing price and supply impacts is the question "how much of which products will be needed to comply?" The answer to this question is only possible after CARB determines the CI of the various fuels that would blend into or substitute for diesel under the rule.



Without the CI determinations for biodiesel and renewable diesel, it is meaningless to try to assess the supply and price impacts of the rule, because it is not possible to know how much of those fuels will be needed, whether that much fuel is or will be available at what prices, and how that supply situation will impact the supply and price of diesel to consumers.

CARB admits that its preliminary efforts to determine the CI of soy biodiesel are likely to be significantly wrong, yet its economic analysis is based on this significantly wrong assumption. The CARB assertion that the diesel CI specification in the LCFS will not result in price or supply impacts to consumers is simply not credible.

With all of these missing elements of the proposed rule, we are quite disappointed that CARB is still proceeding to a rule making hearing on April 23.

Governor, we are not asking you to 'delay' this action, we are asking you to ensure that the regulation is actually written before CARB adopts it, so that our members, the public, and CARB will all know how much biodiesel will be necessary to meet the LCFS; so that its costs and technical feasibility can be properly assessed; and so that legally required environmental and technical reviews can be completed.

Sincerely,

Jeanne Cain
Executive Vice President, Policy
California Chamber of Commerce

Dorothy Rothrock
Executive Vice President
California Manufacturers & Technology Association

Matthew Hargrove
Vice President
California Business Properties Association

Julie Sauls
Vice President, External Affairs
California Trucking Association

Bill Dombrowski
President
California Retailers Association

Jay McKeeman
Vice President
California Independent Oil Marketers Association

Justin Oldfield
Director of Industry Affairs
California Cattlemen's Association

Rich Matteis
Administrator
California Farm Bureau Federation

Ed Yates
President/CEO
California League of Food Processors

Kelly McKechnie
Government Affairs
Western Growers Association

Steve Brink
Vice President Public Resources
California Forestry Association

Keri Askew Bailey
Vice President, Government Relations
California Grocers Association