



April 10th 2009

Mary Nichols, Chair

California Air Resources Board

1001 I Street

Sacramento, California 95814

**RE: Comments on Draft Low Carbon Fuel Standard Regulation**

Primafuel strongly supports expeditious implementation of the California Low Carbon Fuel Standard (LCFS) as an early action measure to meet GHG reduction obligations under AB32. Further delay in implementation of the LCFS is unacceptable from a political, economic, and environmental perspective.

Primafuel views the LCFS as one of the most effective technology-neutral forms of regulation, and with proper implementation it should generate clear and actionable price signals to motivate the development and uptake of lower carbon fuels.

*Efficiency in Fuel Pathway Modification and Development:* With this market-minded view of the regulations, we believe that it is imperative that the process for proposing new or modified fuel pathways must be highly efficient. In order for the LCFS to result in more rapid development of sustainable low-carbon fuels, the process must be substantially more dynamic than current programs in which the Air Resources Board verifies and approves emissions reduction technologies. New and modified pathways must be able to address both direct and indirect emissions associated with the pathway in order to incentivize the development and adoption of best practices and technologies.

The heated debate over Indirect Land Use Change (iLUC) impacts and iLUC inclusion in life-cycle analysis should not result in a delay in the implementation of LCFS. With that said, the level of uncertainty, even in direction, of iLUC calculations are high. As such, the ability to propose new and modified fuel pathways that include changes to emissions associated with iLUC is critical. It was noted at the March 27<sup>th</sup> meeting by CARB staff that an expanded Method 2B could provide a process by which iLUC modifications might be considered. Further, it must be understood that the very notion of iLUC is an artifact of regulatory jurisdiction. The attempt to include iLUC in life-cycle analysis is an attempt to quantify leakage, which is both an important part of sound regulation and the letter of the law. Because iLUC is a jurisdictional artifact, changes in land-use driven by policies and economic conditions outside California become materially relevant to California's LCFS. For example, more effective enforcement of forest protection laws in other countries must by nature impact the iLUC component of the life-cycle analysis of a fuel pathway.

*Inclusion of Indirect Effects of all Pathways and Other Industries:* If reduction of greenhouse gas emissions is the indeed the primary function of the LCFS, then industry supported ecosystem protection is precisely the type of result that policy-makers should desire. Unfortunately, dramatic changes in global native-ecosystem protection is unlikely to be driven by the comparatively small biofuels industry. When compared to other industries that drive land-use change (pulp & paper, timber, cattle, oil & gas, real estate development, etc.) the biofuels industry is a new and weak force. It is for this reason that as other segments of the California economy are regulated under AB32, direct and indirect impacts of those industries must be considered.

Prior to these expanded regulatory considerations, the myriad indirect impacts of other fuel pathways must also be considered under the LCFS. The causality between expanded biofuels use in California and iLUC impacts outside of California is assumed to be commodity pricing, this is at the heart of economic equilibrium models like GTAP. As such, indirect sources of emissions driven by commodity price changes caused by the expanded use of other fuel-pathways must be considered, even when these indirect sources of emissions are not land-use changes.

Primafuel and our partners thank the California Air Resources Board for the opportunity to participate in this vitally important rule-making process.

Best regards,

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