



December 14, 2011

Mary Nichols, Chair
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814



Re: Low Carbon Fuel Standard

Dear Chairwoman Nichols:

The undersigned organizations representing fuel providers, employers, large, small and minority-owned businesses, fuel users and taxpayers, continue to have serious concerns about the California Air Resources Board's implementation of the Low Carbon Fuel Standard (LCFS) regulation. These concerns have been magnified in view of the California Energy Commission's recent analysis, which projects billions of dollars in additional costs and significant supply issues.

The success of the LCFS hinges on the cost and feasibility of implementing the program. There are strong indications that the LCFS on its current track is neither cost-effective nor feasible.

Foremost among our concerns are:

Billions in Higher Costs per California Energy Commission Cost Analysis

The CEC's November 14 analysis indicated that under the high petroleum price scenario the LCFS could cost fuel providers nearly \$3 billion in 2018, nearly \$4 billion in 2019 and approximately \$4.5 billion in 2020. This study also raised questions about the feasibility of biodiesel and corn-oil biodiesel, the supply of renewable diesel and the feasibility of using half of the U.S. supply of cellulosic fuels in 2018 and beyond. Equally disturbing is the CEC's conclusion that because of increased demand for advanced biofuels, costs are likely to rise even further should other states adopt LCFS regulations.

Higher Costs, Hidden Taxes and Job Losses Economy-wide

The billions of dollars in projected LCFS costs will not fall only on fuel providers, but will dramatically increase costs for businesses in all sectors, and constitute a hidden fuel tax on consumers in the form of higher fuel costs and increased costs for fuel-dependent goods and services. Higher costs translate to loss of jobs, which is unconscionable considering that at 11.7 percent, California's jobless rate is second-highest in the nation.





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LCFS Fails to Take Into Account Cost of Other Regulations

The cost of the LCFS alone will impose severe financial burdens on California’s economy, but combined with other costly regulations will have a devastating impact. Energy costs are already escalating dramatically under AB 32 and the state’s renewable portfolio standard; our economy cannot sustain billions more on top of those increases.

No Net Reduction in Greenhouse Gas Emissions

Under the best of circumstances, the LCFS would not result in sufficient greenhouse gas emissions reductions to reduce global warming. Ironically, the related escalation in imports is likely to increase net GHGs from their production and transport. With California’s economy stagnating in the worst recession since the Great Depression, the imposition of billions in higher fuel costs and constraint of fuel supplies without a measurable reduction in global warming cannot be justified.

In view of the enormous cost and infeasibility of LCFS implementation as currently planned, we believe the following steps are necessary:

- Further engage the California Energy Commission to independently analyze the impact of the LCFS on the cost and reliability of fuels, in view of its unparalleled expertise in fuel supply issues.
- Establish an annual review requirement that receives formal input from the CEC, and includes a trigger mechanism to make expedient changes should problems with implementation arise.

As previously stated, the LCFS cannot succeed unless it is cost-effective and feasible. We look forward to working with you to develop a realistic implementation approach that will reduce carbon in California’s fuels without sacrificing jobs and our state’s economy.

Sincerely,

California Manufacturers and Technology Assoc.

California Taxpayers Assoc.

National Federation of Independent Business/CA

California League of Food Processors

California Forestry Assoc.

California Concrete Pumpers Alliance

Western States Petroleum Assoc.

American GI Forum of California

California Chamber of Commerce

AB 32 Implementation Group

Howard Jarvis Taxpayers Assoc.

California Small Business Alliance

California Construction Trucking Assoc.

California Independent Oil Marketers Assoc.

California Hispanic Chambers of Commerce

American GI Forum Women of California



California Independent Petroleum Assoc.
Small Business Action Committee

Kern County Taxpayers Assoc.
San Diego Tax Fighters



Santa Barbara County Taxpayers Assoc.
Coalition of Energy Users

Santa Barbara Industry & Technology Assoc.
Black Business Assoc.

Carson Black Chamber of Commerce

Carson Black Chamber of Commerce
Antelope Valley Black Chamber of Commerce

Kern County Black Chamber of Commerce
Moreno Valley Black Chamber of Commerce



Long Beach Black Chamber of Commerce
Contra Costa County Taxpayers Assoc.

Orange County Business Council
Los Angeles County Business Federation



Independent Oil Producers Agency
Hispanic Chamber of Commerce Silicon Valley
Los Angeles Metropolitan Hispanic Chamber of Commerce
Antelope Valley Hispanic Chamber of Commerce

South Bay Latino Chamber of Commerce
Harbor Trucking Assoc.
Hispanic Chamber of Commerce Contra Costa County
California Black Chamber of Commerce



cc: CARB Board

Virgil Welch, Special Assistant to the Chair, California Air Resources Board

James Goldstene, Executive Officer, California Air Resources Board

President pro Tempore Darrell Steinberg

Senate Republican Leader Bob Dutton

Speaker John Perez

Assembly Republican Leader Connie Conway

Nancy McFadden, Executive Secretary, Office of the Governor

Cliff Rechshaffen, Senior Advisor, Office of the Governor

Matt Rodriquez, Secretary, California Environmental Protection Agency

Anthony Eggert, Deputy Secretary for Energy Policy, California Environmental Protection Agency

Members of the California Energy Commission

