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Michelle Buffington.  
California Air Resources Board  
Sent via Email Only

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Dear Michelle,

As the Panel discussed, there are a number of ways to expand the Workplan questions in order for everyone to ensure all the individual points they feel are important to make are included. Conceptually though, I believe the questions as they are drafted provide an adequate framework to allow the Panel and Staff to work within to address the primary topics laid out in Section 95489(a); as long as the Staff is open to the need to allow responses that may be broader than the original question may imply. Formulating the answers will obviously be far more challenging than agreeing on the questions themselves and in most cases, will need to be performed mostly by subgroups rather than the Panel at large.

To the extent there are subgroups convened or input solicited on Topics 2, 3, 4, 6, and 7, I would again like to express my interest in being directly involved in those discussions. As was pointed out in the April 26<sup>th</sup> meeting, Topic 11 is intertwined with most of the others, so inasmuch as my involvement with the other 5 Topics interrelates with Topic 11, I would appreciate lending a voice to that item too.

On Topic 15, as you are discussing and modeling RINS markets/concepts, I would like to help speak to those issues. As one of the largest generators of RINS in the US today, with approximately 2 billion RINS from our 35 plants, Poet Ethanol Products has a great deal of understanding of both the items that work well and those that do not under RFS2. I strongly agree with Richard's assessment of why a more structured LCFS credit trading market has not evolved up to this point. The regulated parties with compliance obligations are presently acquiring satisfactory quantities of credits directly from the generators of the credits to meet those obligations; hence there is little need for a further market mechanism to allow the transfer of credits. As credits are generated from fuels that do not require mixing with petroleum blendstocks, or the more stringent compliance requirements of future years necessitate the transfer of credits between regulated parties, the exchange process will evolve on its own. The model currently employed by the EPA under RFS2 is very effective, where the EPA's version of the LRT allows for the clearing of trades, and the EPA reports summary balances of RIN Types (reference <http://www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/rfsdata.htm>). Because of the specific nature of the Method 2A/B pathways, it would not be appropriate to report those volumes by pathway, but it may be viable to report all volume by Method 2A/B pathways in total.

Finally, while I agree in theory with the commentators who argued that saddling crude oil consumed in the state with the HCICO emissions associated with its refinement and consumption elsewhere in the world requires the use of models that either have yet to be developed or are too complex to be validated with any degree of certainty, this is the same point of contention that was raised with the inclusion of Indirect Land Use Change for biofuels. In order to allow for equitable treatment of all fuel types, either the ILUC penalties would need to be disregarded for other fuels or the Carbon Intensity penalty for the redirected HCICO would need to be attributed to the crude oil consumed in CA that displaced it.

Sincerely,

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