



Ethanol Products, LLC
3939 N. Webb Rd.
Wichita, KS 67226
poetep.com

PHONE: 316.303.1380
FAX: 316.267.1071

Michelle Buffington
California Air Resources Board
Sent via Email Only

July 11, 2011

Dear Michelle,

The HCICO issue is obviously one of the more polarizing agenda items facing ARB staff. While we agree with some of the conclusions drawn by the WSPA presentation, and particularly the point that a state-level program cannot be constructed in such a way that it can effectively alter world behavior and economic incentives, we do take issue with the notion that any fuels be exempted from all or some of the scrutiny that other fuels are subjected to.

While the most equitable solution may be to remove the 'penalties' for areas that lack sufficient scientific data to accurately model or regulatory authority to control, such as ILUC for biofuels or HCICO in crude slates, it seems unlikely that ARB will entertain a discussion on an outcome of that nature. Under that premise, the most equitable option left would be to apply the same level of uncertainty and rigidity to HCICO as what is used in calculating ILUC for biofuels. In its current state, ethanol from corn is assessed an ILUC penalty of 30 which seems to be on the upper end of where most scientists can reproduce the results in Group 2 GTAP. As such, that would correlate to using one of the strictest interpretations of how HCICO's should be calculated in a refiner's annual compliance calculation. If ARB staff adopts a value 15 gCO₂/MJ, which can be supported by some of the available modeling, then as a policy matter a much more lenient approach to HCICO might be warranted. The only scenario by which it would make sense to adopt a worldwide compliance schedule or treat all crude oils the same is if ARB also decided to disregard the disputed data on ILUC and remove that penalty altogether, which is what POET Ethanol Products believes to be necessary in light of the available data and analysis.

I believe Sonia Yeh, from UC Davis said it best in her comments when she stated, 'all emissions need to be treated equally'. If CARB is truly dedicated to fulfilling its 'well-to-wheels' standard for measuring direct and indirect emissions, then great care must be taken to ensure that the ranking criteria and level of precision or accuracy is consistently applied across all transportation fuels or fuel components, so one segment of the industry is not unfairly penalized or advantaged over another.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bob Whiteman", with a long horizontal flourish extending to the right.

Bob Whiteman
CFO
Poet Ethanol Products
(316) 303-1382