Bioenergy Association of California

April 11, 2014

The Honorable Mary Nichols, Chair
California Air Resources Board
Sacramento, CA 95814

The Honorable Richard Corey,
Executive Officer
California Air Resources Board
Sacramento, CA 95814

Re: Re-Adoption of Low Carbon Fuel Standard

Dear Chair Nichols and Mr. Corey:

I am writing on behalf of the Bioenergy Association of California to offer its strong support for re-adoption of the Low Carbon Fuel Standard with two additions that will help to achieve the standard and meet other state policy goals. In particular, we urge the Air Resources Board to:

- Finalize the fuel pathway and carbon intensity values for fuels derived from organic waste; and

- Provide long term certainty for the value of low carbon fuel credits through a price floor and support for a Green Credit Reserve (AB 2390, Muratsuchi), which will enable developers to finance projects to produce low carbon fuels.

The Bioenergy Association of California represents more than 50 local governments, public agencies and private companies working to promote sustainable bioenergy development in California, including the production of low carbon and carbon negative fuels from organic waste. BAC's public members include air quality, environmental protection, sanitation, water quality and solid waste agencies. Its industry members include bioenergy and biofuels developers, waste managers, agriculture, technology providers, investors and other companies and businesses.

Many of BAC's members currently produce, or are developing projects that will produce, low carbon and carbon negative fuels made from organic waste, including diverted food and other municipal organic waste, biogas from wastewater treatment facilities and dairies, and other organic waste sources. Yet these projects barely begin to scratch the surface of the organic waste that is available to produce clean, low carbon transportation fuels. Biomethane alone could produce the equivalent of more than half a billion gallons of very low carbon and carbon negative transportation fuels in California, with enormous greenhouse gas benefits from the reduction in methane emissions and the reduced fossil fuel use. Recent studies from UC Davis estimate that all organic waste and residues combined could generate as much as 2 billion gallons of low carbon and carbon negative fuels.

In addition to producing low carbon fuels, converting organic waste to transportation fuels will help California to meet other important policy goals:

- Reduce methane emissions from dairies, wastewater treatment facilities and landfills by diverting and beneficially using organic waste;
- Help California to reduce landfilling and meet its 75 percent landfill diversion goal;
- Reduce California's dependence on diesel, gasoline and fossil fuel natural gas;
- Reduce air and water pollution caused by petroleum use;
- Reduce pollution and environmental justice impacts from heavy duty vehicles that currently use diesel.

For all these reasons, we urge the Air Resources Board to re-adopt the Low Carbon Fuel Standard and to add provisions that will accelerate the development of transportation fuels from organic waste.

1. **Finalize the Fuel Pathway and Carbon Intensity Values for Fuels derived from Organic Waste.**

ARB has released preliminary analyses of the carbon intensity of fuels derived from diverted municipal organic waste and from wastewater treatment facilities. For diverted municipal organic waste, the carbon intensity is negative 15 grams CO_2e/MJ. For fuels derived from large wastewater treatment facilities, the carbon intensity is negative 65.3 grams CO_2e/MJ.

We urge ARB to finalize the carbon intensity value for these fuels, and to assess the carbon intensity of other waste-derived fuels, to help accelerate their development and production. Finalizing the carbon intensity will help to prioritize funding from AB 118, cap and trade proceeds, and other public funding targeted to maximize greenhouse gas reductions.

2. **Support a Green Credit Reserve and Price Floor to Provide Long-term Certainty about the Value of LCFS Credits.**

BAC urges ARB to include measures that provide long-term certainty about the value of LCFS credits to facilitate project financing. Since the obligated parties only enter into short-term contracts to buy LCFS credits, investors discount or ignore the value of those credits when assessing their return on investment. This discourages or impedes infrastructure investments needed to convert organic waste to low carbon fuels.

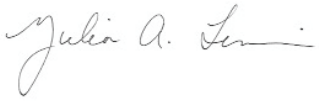
To provide greater certainty about the long-term value of LCFS credits, BAC supports the inclusion of a price floor in the cost-containment mechanism. BAC also urges ARB to support the establishment of a Green Credit Reserve (AB 2390, Muratsuchi) to provide not just price certainty but a guaranteed market for LCFS credits at the time that a project is being developed.

The Green Credit Reserve would authorize the state to enter into long-term contracts to purchase LCFS credits. The contracts would be executed before a project is developed, giving investors the long term certainty needed to make major infrastructure investments, but the state would not actually buy the credits until the developer begins producing fuels and generating the credits, removing the risk of project failures or delays. The state could then resell the credits or retain them, depending on market conditions. Please see the attached Q&A about the Green Credit Reserve for more details about how it would operate and the likely benefits to the LCFS and the state.

Once again, BAC strongly supports re-adoption of the Low Carbon Fuel Standard and urges ARB to add provisions that will accelerate the development of the lowest carbon fuels available – those derived from organic waste.

Thank you for your consideration of these comments. We look forward to working together on the successful continuation of the LCFS program.

Sincerely,



Julia A. Levin
Executive Director

cc: Cliff Rechtschaffen, Office of Governor Brown
Assemblyman Al Muratsuchi