

**Biotechnology Industry Organization
Comments to the California Air Resources Board
On the Low Carbon Fuel Standard
Proposed Compliance Curves and Cost Compliance Provision
November 17, 2014**

The Biotechnology Industry Organization (BIO) appreciates the opportunity to submit comments to the California Air Resources Board on the Low Carbon Fuel Standard (LCFS) Proposed Compliance Curves and Cost Compliance Provision.

BIO is the world's largest biotechnology organization with more than 1,100 member companies worldwide. Among its membership, BIO represents over 85 leading technology companies in the production of conventional and advanced biofuels and other sustainable solutions to energy and climate change challenges. BIO also represents the leaders in developing new crop technologies for food, feed, fiber, and fuel. BIO member companies represent many of the low carbon fuel producers that will supply the State of California with the fuels for Low Carbon Fuel Standard (LCFS) compliance.

BIO and its member companies commend CARB for its openness, inclusiveness and transparency throughout the LCFS rulemaking process. As a member of the LCFS advisory panel, BIO has appreciated the opportunity to guide and comment on CARB staff review of the LCFS regulation. BIO and its member companies have reviewed the recent LCFS Proposed Compliance Curves and Cost Compliance Provision and wish to provide comments.

BIO supports California's efforts to reduce the carbon intensity of transportation fuels and believes that biofuels can and must contribute significantly to this important objective. Our comments are outlined below.

10 Percent by 2020 and Corresponding Compliance Curve: BIO supports CARB's proposal to keep LCFS compliance at 10 percent by 2020. BIO Members believe the proposed gradual approach would be best, as it will send a market signal while still allowing some additional time for projects to scale up.

Since CARB based its proposed compliance curves partly on projected fuel availability over the compliance period, it is important to mention that BIO believes that CARB has underestimated the likely availability of several low CI value fuels, including cellulosic ethanol. Through the first nine months of 2014, U.S. companies generated 65,000 gallons of cellulosic ethanol and biogasoline. With the opening of major cellulosic ethanol biorefineries in Iowa, Kansas, and Brazil, approximately 70 million gallons of production capacity will ramp up during 2015. Yet, California has set its expected cellulosic and renewable gasoline fuel volumes at 0 for 2015. U.S. companies have also generated more than 11 million gallons of cellulosic compressed or liquefied natural gas during the first nine months of 2014 – a source of low carbon fuels apparently not considered by California, even though one producer of this fuel is located in California. To this end, BIO would appreciate CARB providing additional data on how it arrived at its expected fuel availability.

Cost Compliance: As we have stated in previous comments, BIO supports an alternative compliance mechanism that is transparent and clearly signals to investors and producers the appropriate market signals required to make investments in the market. Such a mechanism should lower uncertainty for

obligated parties, while also lowering the political and financial risks to developers of low carbon fuels by establishing a market value for compliance.

BIO is generally supportive of the proposed credit clearance mechanism with a \$200 price ceiling. If carryover debt is allowed as proposed, we are also generally supportive of the proposed three percent interest rate on that debt. If carryover debt is allowed, the interest rate is important because it would likely help incentivize obligated parties to use their credits in a timely manner. BIO encourages CARB to provide more data to help LCFS stakeholders understand how CARB arrived at its proposed \$200 price ceiling and three percent interest rate.

BIO understands that CARB will also explore the potential for a price floor. There is great value in providing a guaranteed market for low carbon fuels, as long as any price ceiling and floor are set at appropriate values. For instance, setting the floor too low could discourage innovative low carbon fuels from being able to economically bring their fuels to California. BIO looks forward to working with CARB on the creation of this aspect of the program and any mechanism that helps to send a strong and clear market signal.

BIO would appreciate it if CARB would provide more transparency and detail about how it expects that the credit clearance mechanism would function. For instance, BIO would appreciate more information on how the interest on carryover debt would be calculated. That information would be important to BIO members and other market participants as they assess investment options.

In addition, BIO would like more information on whether the credit clearance mechanism would include certain controls as are available on other exchanges, such as holding limits, and whether the mechanism would include all willing participants in the credit market. As we pointed out in previous comments to CARB, a long-term sustainable market needs many buyers and sellers who ensure transparency and can offset potential hoarding behavior by obligated parties. Inclusion of all willing participants in the credit market will also increase competition which will lower the long-term cost for obligated parties.

BIO suggests CARB provide some models to show how the credit clearance mechanism would work in its final rulemaking expected to be released in December, 2014.

Thank you for the opportunity to provide these comments to CARB. Please do not hesitate to contact me with questions or for more information as CARB staff work toward finalizing the LCFS rulemaking.

Sincerely,



Stephanie Batchelor
Director, State & International Policy
Industrial and Environmental Section
Biotechnology Industry Organization