



November 17, 2014

Michael Waugh
Chief, Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: October 27th, ARB workshop on proposed LCFS Compliance Curve and Cost Containment

Mr. Waugh:

The California Biodiesel Alliance (CBA) is happy to provide comments on ARB's October 27th workshop proposals on compliance curve and cost containment issues. CBA is California's biodiesel industry trade association, representing over 50 businesses and stakeholders including all of the state's biodiesel producers. We wish to thank you for your thoughtful and inclusive process and for the tremendous amount of work your agency is doing to protect the integrity and improve the incentivizing market fundamentals of the program.

Toward the very important goal of assuring clear and predictable rules that send a strong message to the investor community, CBA recommends the following:

- 1. Compliance Curve:** First, in support of the 10% reduction in GHG emissions by 2020, we believe that a straight-line compliance curve from 2016 would send a much-needed strong signal to the market. CBA also advocates that once the 2020 goal has been achieved, the LCFS program keep moving forward toward greater fuels sector carbon reductions.
- 2. Price Cap:** CBA supports ARB's proposal to address a potential lack of liquidity in the markets using a Credit Clearance Market. This includes agreement on \$200 as the price that triggers the mechanism and a 3% interest rate on carryover debt. We suggest indexing that interest rate to market interest rates (i.e. the Wall Street Journal Prime Rate or to LIBOR), which inherently factor in inflation.
- 3. Program Integrity:** To address concerns about fraud in the LCFS marketplace, CBA requests the adoption of rules with penalties to address fraudulent credit trades and other invalid activities. We support a mechanism that would place liability on producers while protecting good faith purchasers.
- 4. Predictable CI Scores:** We recommend that a clear and predictable schedule for the review and updating of pathways and CI scores be established as part of the LCFS program's efforts to provide investor certainty (for example, at five-year fixed intervals).



Thank you again for your vision, your process, and your leadership in building a strong future for the LCFS. We very much appreciate the opportunity to be part of the process and are happy to answer any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Curtis Wright".

Curtis Wright
Chairman
California Biodiesel Alliance

Cc:

Katrina Sideco, ARB

CBA Board Member Companies:

Altitude Fuel
Baker Commodities
Biodico
Biodiesel of Las Vegas
Crimson Renewable Energy, LP
Imperial Western Products
New Leaf Biofuel
Propel Fuels
Renewable Energy Group
San Francisco Public Utilities Commission
Western States Oil Co.