

California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

April 9, 2014

re: Low Carbon Fuel Standard – Cost Containment Provision



GHI ENERGY™
BIOFUELS & RENEWABLES

John M. Greene
President

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Dear Sir/Madam,

GHI Energy, LLC ("GHI") is a retail supplier of low carbon natural gas fuels to customers in California. We appreciate this opportunity to respond to ARB's LCFS workshop held on March 11, 2013.

With regards to the proposed cost containment provision, GHI like to comment that a price cap is inconsistent with the idea of a "market based" mechanism designed to encourage the consumption of alternative fuels. While it is certainly appropriate for ARB to consider the production cost and supply of low carbon fuels, it is equally appropriate to consider the price mechanism and its effect on consumer behavior and to craft policy designed to influence the behavior of both suppliers and consumers.

Even if adequate supplies of alternative fuels *are* available for consumers, they are not going to "get out of their comfort zone" and purchase that alternative fuel (or non-petroleum vehicle) unless it is otherwise prohibitive for them to consume conventional fuels. Once the ethanol blend wall is hit and increased quantities of ethanol can no longer be blended and consumed by existing gasoline engines, the LCFS will no longer be a question of fuel availability and instead it will become a a question of changing consumer behavior from the status quo and encouraging those consumers to purchase vehicles capable of consuming alternative fuels, such as higher blends of ethanol, zero-emission vehicles, or CNG vehicles.

Basic economics dictates that the only way to change consumer behavior is to affect demand and the only way to affect demand is to send price signals. A price cap short-circuits this process and prohibits prices from reaching the levels necessary to change consumer behavior to purchase these vehicles.

Staff should be wary of any cost-containment mechanism: not only because it disincentivizes investment in alternative fuels but because it also does not sufficiently affect consumer decisions, which is an essential component to achieving the goals of the LCFS program.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John M. Greene', written in a cursive style.

John Greene, President
GHI Energy, LLC

