

Kirsten King  
Air Resources Engineer, Fuels Section  
California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95812

Dear Ms. King,

The Renewable Fuels Association appreciates the opportunity to provide comment on the Fuel Availability workshop conducted September 25, 2014. These comments focus specifically on CARB's current view of sugarcane ethanol import availability.

### 1. PROJECTIONS OF U.S. IMPORTS OF SUGARCANE ETHANOL

We believe CARB is grossly overestimating the amount of sugarcane ethanol that will be available to the U.S. market in 2020. Slide 10 of CARB's September 25 presentation suggests **850-1,750 million gallons** (mg) of imported sugarcane ethanol will be available to the U.S. by 2020.

Slide 9 states that the sugarcane ethanol estimate is derived from the Food and Agricultural Policy Research Institute's (FAPRI) World Agricultural Outlook. It should be noted that due to budget constraints, FAPRI has not produced a comprehensive World Agricultural Outlook report since 2011.

However, FAPRI continues to publish annual "Projections for Agricultural and Biofuel Markets." These projections are published in March of every year. Much has changed in the Brazilian and world sugar and ethanol sectors since 2011, and FAPRI has since significantly revised its outlook for U.S. imports of sugarcane ethanol.

FAPRI's 2014 projections include yearly estimates of U.S. ethanol imports through 2023.<sup>1</sup> FAPRI projects that U.S. ethanol imports will average **182 mg per year** in the 2015-2023 timeframe, with exports never exceeding 197 mg in any single year. *Importantly, these projections include the effects of the California Low Carbon Fuel Standard.* According to FAPRI:

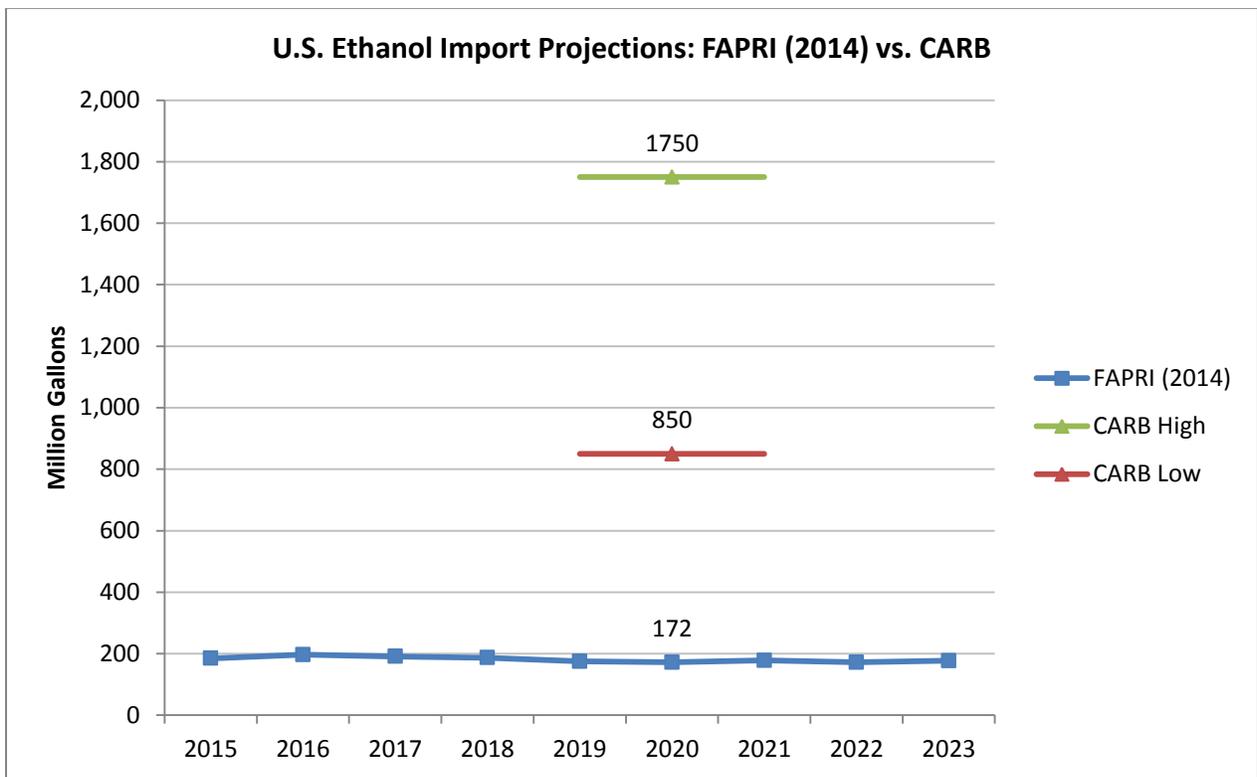
- "Sugarcane ethanol imports from Brazil continue to decline in 2014 before leveling out."
- "Lower RFS requirements for advanced biofuel could imply reduced ethanol imports."

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<sup>1</sup> [http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI\\_MU\\_Report\\_02\\_14.pdf](http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI_MU_Report_02_14.pdf)

- “However, low-carbon fuel requirements in California provide some incentive for continued ethanol imports.”

Thus, CARB’s current 2020 projections are roughly 5-10 times higher than FAPRI’s current outlook, which do take into the account the likely “pull” from the LCFS. Further, USDA’s attaché in Brazil reports that **TOTAL** Brazilian fuel ethanol exports (to all destinations) have averaged just **425 mg** annually from 2011-2014(e).<sup>2</sup> Thus, CARB is projecting that the U.S. alone will import 2-4 times as much ethanol from Brazil in 2020 as it exported to all countries in the 2011-2014 timeframe. We strongly recommend that CARB use FAPRI’s latest projections of sugarcane ethanol availability when conducting its analysis of potential fuel availability.



## 2. CALIFORNIA’S SHARE OF U.S. ETHANOL IMPORTS

CARB did not estimate the share of projected U.S. ethanol imports that would come to California during the Sep. 25 workshop. We understand CARB’s estimate of California shares for various low-CI fuels will be discussed at a workshop scheduled for late October. As CARB

<sup>2</sup> [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual\\_Sao%20Paulo%20ATO\\_Brazil\\_7-25-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual_Sao%20Paulo%20ATO_Brazil_7-25-2014.pdf)

undertakes the process of estimating California shares, we encourage you to examine empirical data and the actual response of sugarcane ethanol imports to the LCFS in recent years.

Customs data from the Department of Commerce show that from 2012-2014, California received 24% of total U.S. ethanol imports. When overlaid with the value of LCFS credits, it becomes apparent that the share of U.S. imports received by California has no discernible relationship with credit prices. For example, California has received just 12% of U.S. ethanol imports in 2014, despite an average credit price of \$41. This contrasts with 2012, when California received 18% of U.S. imports and credit values averaged only \$17. Clearly, factors other than the LCFS credit price (e.g., RFS2 advanced biofuel requirements and RIN prices) are primarily determining U.S. ethanol import volumes and the share that ends up in California.

Given that LCFS credits have had meaningful value in 2013-2014, we strongly recommend that CARB conduct rigorous analysis to determine what impact credit values have had on the share of U.S. ethanol imports that are received by California.

	<b>LCFS Credit Value</b>	<b>Total U.S. Ethanol Imports</b>	<b>California Share of U.S. Imports</b>	
	<i>\$ MT</i>	<i>Gals.</i>	<i>Gals.</i>	<i>%</i>
2012	\$17	555,007,998	98,198,025	18%
2013	\$55	399,945,552	139,147,634	35%
2014*	\$41	65,788,888	7,962,492	12%
<b>Total**</b>	<b>\$47</b>	<b>1,020,742,438</b>	<b>245,308,151</b>	<b>24%</b>

\*Year-to-date export volumes (through July). LCFS credit price is weighted average of Q1 and Q2 average values.

\*\*LCFS credit price is weighted averaged of CY1, CY13, and YTD CY14.

Because the LCFS compliance curve that is ultimately re-adopted by the Board will be driven in large part by CARB staff's analysis of fuel availability, it is imperative that staff make every effort to arrive at the most accurate and informed estimates possible. Please let us know if you would like to further discuss the contents of this letter.

Sincerely,



Geoff Cooper  
Senior Vice President

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