WCBA Western Canada BIODIESEL ASSOCIATION

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Thank you for the opportunity to provide feedback on the content presented in the LCFS regulation update and iLUC workshops held on March 11, 2014 in Sacramento.

The Western Canada Biodiesel Association (WCBA) is a non-profit organization established to promote the production and use of low carbon fuels through education, outreach, and advocacy. The WCBA collaborates with other stakeholders to advance the production of sustainable biofuels in Canada, with members representing the full value chain of biofuel production and use.

Our association members participate in the development of stringent fuel quality standards for biodiesel and provide expert advice to multiple provincial RFS stakeholder review processes. In addition, our member companies are engaged in international renewable diesel markets and international sustainability standards development (e.g. ISO 13065 – '*Sustainability of Bioenergy'*) and provide global expertise and intelligence on emerging best practices.

Although our association is mainly active in Canadian renewable fuel policy development, the increased collaboration between western US states and the province of British Columbia under the *Pacific Coast Action Plan on Climate and Clean Energy,* including the specific commitment to adopt and maintain low carbon fuel standards in each jurisdiction, provides further rationale for our industry's increased involvement in the application of this regulation. We have been the primary industry body engaged with the BC government in the development of the provincial LCFS.

We recognize that the CARB staff has been in consultation with industry and academic stakeholders on the LCFS implementation and underlying regulatory structure since Assembly Bill 32: Global Warming Solutions Act was passed in 2006.

Comments on the iLUC workshop contents:

1. **iLUC, and its appropriateness in a regulatory context, remains contested amongst leading scientific experts.** We understand that CARB is mandated to include indirect emissions in the promulgation of this regulation. However, as noted by other regulatory bodies and leading scientific experts (see #2 below), the basis for determining and regulating biofuels with an iLUC factor lacks sufficient accuracy, comparability and fairness to be adopted within a market-based regulatory system. As currently implemented, the CA LCFS is biased against biomass-based fuels derived from agricultural commodities. Specific inputs used in the models (e.g. the yield price elasticity values) should be open to review and supported with empirical evidence.

2. **Other stakeholders have dismissed the appropriateness of iLUC factors at this time.** As mentioned in the March 11th workshop, the International Standards Association (ISO) 13065

'Sustainability Criteria for Bioenergy' protocol development process has been formerly underway since 2009 with 44 participating and observing countries, including all global biofuel jurisdictions. The ISO 13065 standard is expected to complete in 2015 and set broad criteria for the sustainable production and use of global biofuels and bioenergy products.

The group developing ISO 13065 'Sustainability Criteria for Bioenergy' created a specific expert working group (co-chaired by Canada and Argentina with the US as Secretariat) to assess the potential for including indirect effects (including iLUC) in the standard. The expert group consisted of 140 official members who from June 2011 to October 2013 collectively reviewed 130 publications related to indirect effects. This working group developed a consensus statement on indirect effects:

> *"Estimation of indirect effects is dependent upon modeling and the assumptions used therein. At present, models of indirect effects have no ability to assign causality to individual bioenergy operations. Recent modeling has highlighted potential impacts as well as the high variability in results though much of the modeling thus far has relied on assumptions that may not be supported by empirical evidence. To date, there has been limited causal analysis to support assumptions underlying indirect effects modeling. Analysis to improve assumptions underlying indirect effects modeling is in progress. Further research in this area would benefit the understanding of indirect effects."*
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> *(ISO 13065 Working Group 4, Report Excerpt)*

It is also noted that British Columbia has not included iLUC in its *Renewable and Low Carbon Fuel Requirements Regulation (LCFS + RFS).*

3. **CARB Staff should use equivalent system boundaries for the LCAs of fossil and renewable fuels.** At present, iLUC emissions are only considered for renewable fuels. Other studies point out that traditional fossil fuels likely also have significant indirect effects (Unnasch, 2009). ISO 13065 draft text supports the principle of comparable treatment for all fuels (bio, fossil), specifying that '[t]he system boundary for the bioenergy case and reference case shall be equivalent'. The inclusion of iLUC values only for renewable fuels, without consideration of the indirect effects of all fuels (including fossil and other alternative fuels), inherently biases the regulation against biomass-based renewable fuels. This use of inconsistent system boundaries pushes CARB's GHG methodology out of alignment with core axioms of LCA principles and best practices, and is inconsistent with the relevant global ISO consensus.

We recognize that CARB staff and stakeholders are actively trying to reach agreement on the iLUC values used in the regulation. While we support the diligent review and improvement of iLUC calculation techniques, we remain concerned that the underlying appropriateness and maturity of the concept is insufficient for regulatory inclusion at this time.

Comments on select LCFS workshop concepts:

1. **There should be equivalent materiality thresholds for carbon intensity (CI) improvements at bio-refineries and petroleum refineries for fuel pathway/facility registration.** Staff comments

during the March 11 workshop indicated that a minimum threshold was not being considered for fossil fuel refiners to modify CI pathways. At present, renewable fuel producers must reduce CI by at least 5g/MJ to justify an official CI change. Both fuel types should be treated similarly and use an equivalent materiality threshold.

2. **Awarding credit for renewable feedstocks used in existing petroleum refineries should rely on chemical analysis to determine the existence of renewable content in finished fuels.** Staff stated that the work underway to award credits for GHG emissions reductions at refineries would include the processing or co-processing of biomass feedstocks. In order to legitimately consider this, it must be demonstrated that the renewable derived material arrives as a component of the finished refined products covered under the regulation (e.g. gasoline and diesel).

3. **The adoption of traceability requirements for 'waste' feedstock is required for feedstocks with components which are sourced outside the US and Canada.** Without this requirement, there is ample opportunity to misrepresent feedstock origin and therefore environmental benefit, particularly if the country of origin is a developing nation. US and Canadian feedstocks are subject to strict EPA guidelines and reporting under RFS2; 'waste' feedstocks or finished biofuels from these feedstocks must similarly establish the bona fide nature of the biomass.

4. **On Cost Containment Provisions, the WCBA supports the structuring and naming of this as a penalty for non-compliance.** In British Columbia, this value is set at C$200/tonne of GHG deficit and is structured as a penalty. We support CARB's approach as stated in the meeting that 'non-compliance should always be more expensive than compliance.'

We appreciate the opportunity to participate in this review process. We would be happy to provide further information on the above general comments.

Sincerely,

Ian Thomson, President
Western Canada Biodiesel Association