



February 17, 2017

Sam Wade  
Jim Aguila  
Air Resources Board  
1001 I Street Sacramento, CA 95814

Electronic submittal only via: [LCFSWorkshop@arb.ca.gov](mailto:LCFSWorkshop@arb.ca.gov)

RE: RPMG Comments on December 19, 2016 ARB presentation -- Potential Verifiers and Verification Bodies: Governance and Impartiality

Dear Sam and Jim,

We would like to thank you and your staff for taking the time to hold workshops and accept comments on potential changes to the Low Carbon Fuel Standard Regulations (LCFS or Regulation). This informal process allows Renewable Products Marketing Group (RPMG) the opportunity to comment on the variety of important, and far reaching, staff proposals.

RPMG is a biofuel marketing company currently representing our owner and marketing partner ethanol facilities located throughout the Midwest, and is an active stakeholder in the California fuels marketplace. We support clean transportation fuel policy, including California's LCFS, which diversifies fuel supply, incentivizes innovative technology and advanced renewable fuel selection, creates jobs, and most importantly, improves the environment. Our track record of providing RPMG members with unparalleled compliance services is a key aspect of our business. RPMG participates in greenhouse gas (GHG) reduction and alternative transportation fuel programs throughout the nation and the world. These comments are based on two decades of multijurisdictional experience.

The December 19, 2016 workshop topic of governance and impartiality of verification bodies is both an important component of what ARB is trying to accomplish, and also an aspect of the program that has direct implications for RPMG and our affiliated facilities. It is important that ARB understand the complexities and historical interactions of audit and verification services associated with Midwest biofuel production. Many practices have been implemented for a number of years as government programs and general accounting practices already demand a high caliber of rigor.

The presentation reiterated the scope of ARB's proposed changes including: mandatory verification of fuel pathway carbon intensities, reported fuel quantities, and selected chain-of-custody information. RPMG supports, and understands the importance of ensuring this information is valid and verifiable, but *it must be done in a way that recognizes the existing relationships and audit programs of the industry.*

### **Governance Structure**

RPMG appreciates ARB highlighting the different governance structures being used today in the MRR, Offset and EU RED programs. The examples highlight the complexity and options available to ARB. RPMG would support the development of a system that resembles the MRR in its simplicity. In that system, ARB provides the accreditation to verifiers, who work directly with the reporting entities. The LCFS verification system will need to have more boxes in its flow diagram due to the nature of the business, but the system does not need to be overly complex or layered.

We would like to respond to a couple of the questions directly asked of stakeholders on this topic.

### **Verifier Experience**

The minimum experience required of verifiers was questioned. In subsequent workshops and policy documents, ARB has clarified that the goal is to have verification services focus on inputs and verifiable data, not complex lifecycle calculations. If that turns out to be what is adopted, then RPMG would not want to limit the potential pool of verification service companies due to a lack of specific previous experience with lifecycle analysis. Certified auditor firms and their employees already have the professional expertise to conduct such work.

### ISO Accreditation

The question was asked which ISO accreditation is more appropriate, 14065 or 17064. RPMG requests additional clarification around the role of ISO standards in LCFS. It is discussed here in the context of verifier accreditation. What is the intended level of use or adherence by reporting parties or pathway holders, if any?

Upon first review, ISO 14065 (Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition) appears to be the more appropriate standard to use for LCFS. ISO 17065 is about certifying that a “thing” is “something particular”, say organic bananas or free-trade coffee. Seems like a much tougher fit to use it for all the different fuels in the program, as the certification under this Standard would be that the fuel from a certain plant was a “#C1 fuel”. ISO 17065 is indeed newer and more updated, but it is also more general in nature in that it isn’t specific to GHG. Whereas, 14065 is a historic “GHG accreditation” standard.

### Impartiality Protection

RPMG would like to underscore that there is real value for reporting entities in the existing relationships that have been built with existing auditors and business partners. These relationships are relied upon in the course of everyday business and for multiple tasks associated with multiple jurisdictions. Staff’s proposal on these issues will have significant impacts on regulated entities and should be finalized in a manner that is not unduly burdensome.

### Verification Body Rotation Requirement

RPMG believes it is important for ARB to allow the continuation of existing relationships between audit firms and producers or marketers. This is a key industry relationship. Requiring a rotation of individual verifiers, or their managing partners, is preferable to requiring whole firms be rotated off engagements. It is also important to have these requirements prospective. Having an overly broad “look-back” provision could impact the industry in a negative fashion. Looking back does not allow for adjustments and compliance moving forward, rather it would essentially limit the number of available partners to those whom an entity hasn’t worked with before. RPMG finds this problematic. Rules moving forward, look back guidance, or phase-in is preferred.

Such rules should include a transition period for current auditors/verifiers. RPMG would not want to wait three years to use their existing verifiers again. The program should provide a mechanism to grandfather existing relationships. Having all verification bodies be required to switch companies at the start of the MVS implementation would be chaotic and not serve the program or entities’ best interests.

Industry is subject to rigorous accounting standards through Generally Accepted Accounting Principles (GAAP) and Security and Exchange Commission (SEC) compliance and oversight. Accounting firms also are governed by American Institute of Certified Public Accountants (AICPA) and Public Company Accounting Oversight Board (PCAOB) auditing and engagement standards and standards of independence. Such built in safeguards should allow for individual verifier or responsible partner rotation, rather than a wholesale firm rotation requirement.

### Summary

RPMG appreciates the open dialogue opportunities being afforded by ARB, but would like to summarize by again noting the larger differences between the Cap and Trade Program and the LCFS. Though verification should be a part of both programs, the complexities noted in the presentation, the history of the industry and the existing relationships require a MVS program design to have additional flexibility and specialization. There is no question LCFS MVS should look like it is related to MRR. But RPMG believes it shouldn’t be its mirror image.

We look forward to the continuation of this open and ongoing dialogue. If you have any specific questions about these comments, please contact me at [jwhoffmann@rpmglc.com](mailto:jwhoffmann@rpmglc.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Jessica Hoffmann". The signature is fluid and cursive, with the first name "Jessica" and last name "Hoffmann" clearly distinguishable.

Jessica Hoffmann  
RPMG, Inc.