

March 18, 2016

Ursula Lai
California Environmental Protection Agency
Air Resources Board – Stationary Source Division
LCFS Program Planning and Management Branch – Verification
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RE: Proposed Framework for LCFS Monitoring and Verification Program

Ms. Lai,

Christianson & Associates, PLLP is a full-service public accounting firm located in Willmar, MN that has worked with renewable fuels producers for over 20 years, and provides technical assistance and professional independent services that promote industry compliance.

Our staff participated in the March 8, 2016 workshop via web access, and respectfully submits these comments for your consideration during the development of a mandatory third-party monitoring and verification program:

- 1) Continuing to make all trainings and workshops related to ongoing developments in the Low Carbon Fuel Standard available off-site/on-line and on-demand will ensure the greatest number of people can access the content and participate in the process.
- 2) We share your vision for strengthening the integrity of the LCFS. In pursuit of the goal of promoting the integrity of the LCFS eco-system, CARB can leverage the knowledge available from external resources, not only to avoid unnecessary duplication of efforts, but also to ensure a streamlined process for the super-majority of fuel producers who act in good faith to comply with all of the rules and regulations of California's low carbon fuel programs.

Regarding Accreditation, Verification Bodies and Individual Verifiers--

- 3) Maintaining rigorous standards for the minimum qualifications of the parties involved in monitoring and verification work is important. Accreditation is an important part of establishing that baseline.
- 4) **Multiple Accreditation Pathways:** Potential providers of LCFS compliance services are a diverse group of professionals across a number of industries. Offering multiple pathways to accreditation provides flexible options for participation by the people most qualified to do so, without needlessly complicating minimum requirements.

- a. **Professional Licensure Pathway:** Those with a US professional certification like a CPA or Engineer have demonstrated their professional ethics, undergone substantial training, and shown competency to earn their licensure. They are supremely qualified to act in this role; as such, we believe CARB should rely on possession of professional licensure as a test for competency. This requirement would allow CARB to effectively assess qualifications without having to devote its own resources toward enforcing standards already in place by third party organizations.
- b. **Option in Lieu of Licensure:** Accreditation through a standards organization like ISO should be an option for parties wanting to demonstrate their qualifications in lieu of providing evidence of licensure, but need not be an additional requirement.
- c. **Prior Notification:** We support a requirement to notify CARB of a verification plan before conducting verifications because it allows CARB to review the LCFS-specific procedures and competency of prospective verifiers who meet initial baseline accreditation requirements like possessing professional licensure and liability insurance.

Regarding Potential Scope for Monitoring and Verification—

- 5) When it comes to proving the Carbon Intensity of a fuel, the bulk of this burden occurs during initial application review and certification and the re-adopted LCFS strengthens the scope of this evaluation; however, there still exists a need for verifying whether a fuel producer remains in conformance with the parameters for which they're registered.
 - a. **Clarity and Uniformity:** One of the many reasons to move toward a mandatory, CARB-sponsored LCFS monitoring and verification program is that it presents an opportunity to enhance the confidence in the program both by being clear about expectations for ongoing CI conformance, and also by applying those procedures uniformly across the industry.
 - b. **Specificity:** We believe an effective rule-making on monitoring and verification will: Specify the parameters influencing a fuel CI that CARB wants evaluated, solicit feedback on the best way to implement controls to evaluate these parameters, and clearly identify the criteria by which a fuel producer will be found in non-conformance with that parameter (materiality for error, or basis for confidence level).

In the spirit of specifying parameters and identifying criteria, we offer the following comments regarding the potential scope for monitoring and verification of Carbon Intensity and Fuel Volumes:

- 6) We believe that high-frequency, on-going monitoring of facilities is an unnecessary burden that outweighs the potential value of additional information:
 - a. LCFS CIs represent the life cycle greenhouse gas emissions, expressed in a per-megajoule of finished-fuel-energy basis, associated with long-term, steady-state fuel production operations.

- b. A fuel production operation will not be found to be in violation of its operating conditions unless a CI calculated from production data covering a full year of operations is higher than the certified CI reported for that fuel in the LRT-CBTS system.
 - c. Given these facts, we suggest that procedures on the parameters specified be conducted on a quarterly basis, and that information from the most recent four quarters of procedures be used to determine whether a facility is operating within the parameters required to achieve the carbon intensity for which they're registered.
- 7) When verification procedures include the review of invoices, bills of lading, or other documents, CARB should provide specific guidance in regards to the number or quantity of samples to be reviewed. This ensures uniformity of procedure across third party providers in an area that short-cuts to adequate verification can otherwise be taken. We suggest that the sample size guidelines required under §80.127 of the Renewable Fuel Standard are sufficient, and believe that this adoption by CARB would promote consistency throughout the industry.
- 8) Verifications covering processes occurring upstream or downstream from the producer with the goal of providing enhanced transparency of documentation (for example, whether fuel produced or any by-products or co-products receive additional processing after they leave site), should be performed by conducting confirmations with a representative sample of customers.
- 9) When verification procedures require the recalculation of consumption or production numbers to confirm the accuracy of user defined inputs, the appropriate method for doing so should be specified. We offer the following examples as suggestions:
- a. **Volumes of fuel produced:** Obtain internal supporting documentation indicating beginning and ending inventory, and a loadout meter totalizer report showing volume of total fuel sales during the covered period. For a representative sample of sales entries to the records, review supporting documents, like bills of lading or product transfer documents, to confirm the accuracy of the list. Check the full lists for completeness and reasonableness, and use to calculate the volume of anhydrous fuel produced and report as a finding.
 - b. **Quantity of Feedstock consumed:** Obtain internal supporting documentation indicating beginning and ending inventory, and a purchase journal report showing type and quantity of feedstocks purchased during the covered period. For a representative sample of purchase entries to the records, review supporting documents, like invoices and scale tickets, to confirm the accuracy of the list. Check the full lists for completeness and reasonableness, and use to calculate the total quantities of feedstock used and report as a finding.
 - c. **Production volume per feedstock:** Using the volume of anhydrous fuel produced and the total quantities of feedstock used, calculate the fuel-feedstock yield and report as a finding.

- d. **Energy use:** Review receipts for all forms of energy consumed in the fuel production process and report as a finding the per-million-Btu and per-megajoule energy consumption inputs calculated. For invoices not covering a standard calendar month during the reporting period, calculate the average daily consumption by the invoice and use that amount to pro-rate the consumption for the period covered.
- e. **Physical Pathway:** Haphazardly select one transaction of fuel sold to California during the covered period and determine the physical pathway or route the fuel took during transport to California. Check for agreement with the demonstration of fuel transport on file with the Executive Officer.
- f. **Carbon Intensity Allocation:** Review the criteria by which the fuel producer associates a CI with each unit of fuel sold in California. For fuel producers with multiple Carbon Intensities based on feedstock or co-product types produced, review supporting documentation to determine whether CI values were properly assigned to volumes of fuel in accordance with § 95488(c)(6). For parties commingling volumes of fuel with multiple carbon intensities, review the fuel producer's inventory accounting system that allows it to track a certain volume of fuel produced with a specific feedstock and confirm that they are able to provide records that unequivocally associate specific quantities of feedstock with specific volumes of fuel produced.

Thank you for the opportunity to submit comments in response to the March 8, 2016 workshop on proposed framework for LCFS monitoring and verification program.

Sincerely,



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