March 22, 2016

Ursula Lai
Lead Staff, Verification
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Email: Ursula.Lai@arb.ca.gov

Dear Ms. Lai:

Renewable Energy Group, Inc. (REG) appreciates the opportunity to comment on the Proposed Framework for the LCFS Monitoring and Verification Program presented at the March 8th workshop. We have reviewed the staff proposals contained in the slides presented during the workshop on March 8th and offer our comments below for your consideration.

REG is the leading North American advanced biofuels producer and developer of renewable chemicals. REG utilizes a nationwide production, distribution and logistics system as part of an integrated value chain model to focus on converting natural fats, oils and greases into advanced biofuels and converting diverse feedstocks into renewable chemicals. With 11 active biorefineries across the country, research and development capabilities and a diverse and growing intellectual property portfolio, REG is committed to being a long-term leader in bio-based fuels and chemicals.

As the leading producer of some of the lowest CI biofuel in the U.S., REG is a significant participant in the California market. We have shipped fuel to multiple clients in the state from a number of different plants within our network. In fact, our capacity and capability to produce from multiple plants has made us a preferred producer and one of the largest out of state suppliers.

In support of continued integrity and transparency of the LCFS program, we make the following recommendations based on the March 8th slides:

**LCFS Dashboard**

REG supports the concepts of an LCFS dashboard as long as the data released is aggregated and not company-specific.

- Examples:

- REG supports weekly LCFS credit trading reports on an aggregated basis. However, REG does not support releasing more specific information around LCFS credit trading as proposed. Currently, the market is small enough that users could back into company specific trade details from the line items presented.
- Company specific data would not add to any transparency and could, in fact, result in higher transaction prices as market participants attempt to re-work trades to chase higher returns.
- REG supports the annual volume-weighted average carbon intensity (CI) by fuel type, but does not support reporting by individual CI's. Individual CI data could be used to back out company specific CBI information and could be used to manipulate pricing and/or facilitate industry consolidation
- REG would support the CI's by fuel type if grouped together by a range of 10 CI points or more. Until the market grows larger; we are concerned that users can discover feedstock suppliers of a particular company based on releasing CI specific details. The use of that information could be market distorting and result in higher costs for Californians

**Low Carbon Fuel Exports**

REG supports the draft guidance and clarification surrounding low carbon fuel exports with the onus of reporting and deficits falling upon on the exporting party.

**LCFS Monitoring and Verification Program**

REG strongly supports continuing the "buyer beware" approach currently underpinning the LCFS carbon credit system. A safe harbor or affirmative defense approach would be overly complex and not enhance program compliance. Therefore, REG supports developing a serial number for LCFS credits that would identify the following information: company and facility info, quarter and year of in-state production or import, transaction number, and fuel pathway code.

An LCFS credit serial number would enable a stronger buyer beware marketplace, with the ability for enhanced due diligence. The transportation fuels industry is currently set up to manage this type of due diligence, with little to no extra cost, due to the federal Renewable Fuel Standard.

Regarding the number of audits per year, REG does not support multiple audits in one year.

As ARB staff continue to refine and develop the concepts in this area, consideration should be given to two important areas: third party audits; and compliance by non-US registered businesses operating overseas.

Third party audits are one way for an agency with limited resources to achieve a level of compliance data review. However, without proper structure and oversight, third party audits can, and in fact, serve as an unnecessary barrier between the agency and the regulated community, by providing another layer to hide compliance deficiencies. As ARB staff continues to develop this area, consideration should be given to companies with the appropriate size and financial resources to self-audit. The Individual Auditor option could provide such a pathway, however, more detail in this area needs to be developed.

Non-US registered businesses operating overseas present certain audit challenges that US business do not. Distance is a reality. Spot audits and physical inspection of facilities is far more likely to happen within the US than to foreign producers abroad. Unfortunately, the attractiveness of the California market combined with weaker financial reporting, banking and regulatory systems in some counties makes the need for ARB regulatory oversight in this area even greater. ARB should consider the costs and benefits of an approach, which places resources where the compliance risks are greatest.

Thank you for the opportunity to comment, please do not hesitate to reach out to me with additional questions.

Sincerely,

Scott R Hedderich
Director of Corporate Affairs