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April 28, 2017

Mr. Samuel Wade
Branch Chief, Transportation Fuels
California Air Resources Board
P.O Box 2815
Sacramento, CA 95812

Transmitted via Electronic Mail to LCFSWorkshop@arb.ca.gov

Re**:** Comments on Public Working Meeting on Inclusion of Alternative Jet Fuel

Dear Mr. Wade,

Airlines for America (A4A) appreciates the opportunity to provide comments for the record on the March 17, 2017, Air Resources Board (ARB) working meeting on inclusion of alternative jet fuel in the Low Carbon Fuel Standard (LCFS).[1] These comments supplement our March 16, 2017, comments submitted prior to the working meeting. A4A strongly supports ARB's proposal to include alternative jet fuel in the LCFS as an opt-in, credit generating fuel. As we have noted previously, deployment of sustainable alternative jet fuel is a critical component of the aviation industry's ambitious GHG reduction strategy, as aviation, unlike other industries, has no near-term alternative to using liquid fuels. Inclusion in the LCFS would provide needed regulatory parity for alternative jet fuel, support the developing California advanced biofuels industry, lower the cost of compliance for obligated parties, and advance the State's environmental goals. A4A further supports some of the specifics of the proposal outlined in the meeting, including crediting alternative jet fuel based on fuel uplift in California and allowing credit generation for military use of alternative jet fuel. These provisions promote administrative simplicity, recognize existing supply chains and industry fuel handling practices, and allow alternative jet fuel producers access to multiple markets. However, in order to fully realize the benefits of alternative jet fuel's inclusion in the LCFS, we encourage ARB to reconsider its proposal to apply a "compliance schedule" to jet fuel.

Specifically, ARB proposed on slides 30 and 31 of its presentation during the working meeting that the carbon intensity (CI) for alternative jet fuel "will be compared to an annual compliance curve anchored to the 2010 baseline CI for conventional jet fuel." Compliance curves for both gasoline and diesel are currently included in the LCFS because they are transportation fuels subject to the legal requirement that their respective average CIs be reduced at least 10% by 2020. Given that ARB has appropriately not proposed to mandate similar declining CI levels for conventional jet fuel, which would implicate significant federal preemption issues, we urge ARB to consider promulgating a static 2010 CI baseline for conventional jet fuel and crediting alternative jet fuel for all CI reductions below this baseline. This would promote regulatory certainty and maximize the investment signal for alternative jet fuels by recognizing all GHG reductions associated with alternative jet fuel.

While we understand that the intent of proposing a compliance schedule for conventional jet fuel is to limit potential market distortions that could favor production of alternative jet fuel over ground transportation fuels, we do not believe a safeguard is needed for this purpose. Rather, we are concerned that — by creating a structure where a gallon of alternative jet fuel generates less credit than a gallon of alternative

[1] A4A is the principal trade and service organization of the U.S. scheduled airline industry. A4A members are Alaska Airlines, Inc.; American Airlines Group (American Airlines and US Airways); Atlas Air, Inc..; Federal Express Corporation.; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Continental Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

ground transportation fuel — the current proposal may unintentionally exacerbate structural disincentives to the production of alternative jet fuel that would exist even if ARB were to promulgate a static 2010 baseline CI for conventional jet fuel. Indeed, as the baseline CI for conventional jet fuel is anticipated to be significantly lower than both the diesel baseline and the diesel compliance schedule for the foreseeable future, alternative jet fuel would already offer less credit-generating opportunities for producers than a similar alternative diesel fuel. Further, even if alternative jet fuel were to generate nominally more LCFS credits in a future scenario in which the diesel compliance schedule fell below the conventional jet fuel baseline, we believe market forces outside of the LCFS would mitigate any potential market distortion. These market forces include, among other things, additional pricing benefits for diesel substitutes associated with diesel's inclusion in the California cap and trade program and higher processing and handling costs associated with meeting stricter aviation fuel specifications.

We look forward to continuing to work with ARB to further our shared goal of developing a robust low carbon fuels industry in California. Please let us know if you any questions.

Sincerely,

Alex Menotti

Alex Menotti
Director, Environmental Affairs