



June 23, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Electronic Submittal via: LCFSWorkshop@arb.ca.gov

Subject: AltAir Comments on Monitoring and Verification Proposal

AltAir Paramount, LLC¹ (AltAir) would like to thank ARB for the opportunity to comment on the Monitoring and Verification amendments proposal presented at the June 2, 2016, workshop. AltAir is a refiner of environmentally sustainable feedstocks for the production of renewable jet fuel, biogas, and diesel fuels. AltAir is a new entrant into the California regulatory environment. Construction on AltAir began in 2015, with initial production of renewable fuels in 2016. The sole purpose of the facility is to produce renewable transportation products as a direct result of federal and state Low Carbon Transportation Fuel Policies. It is not a petroleum refinery as it does not process petroleum or petroleum derivatives. Its feedstocks are animal- and plant-based oils, and its products are renewable diesel, renewable jet fuel, renewable naphtha, and renewable LPG (biogas).

The staff presentations from the workshop focused on a wide variety of issues which will directly or indirectly impact AltAir operations. The three categories of topics presented were Monitoring and Verification (MVS) provisions, non-regulatory amendments, and other non-MVS LCFS regulatory changes. Though AltAir is still analyzing the full implications of all that was proposed, we will focus our comments on three main issues: (1) the ability of a verifier to hold up credit issuance, (2) program costs, and (3) the proposed upstream feedstock verification concept/provisions. AltAir believes these proposals need additional refinement prior to their inclusion in the LCFS regulations. As the first large-scale renewable jet and diesel fuel plant in California, we look forward to discussions on these important topics as they get further developed, and before they are implemented.

Credit Timing Concerns

The lifeblood of any biofuel facility is the ability to generate products and environmental credits, including LCFS credits. The multifaceted proposal not only institutes a systematic delay in credit issuance, but also increases the risk that larger and more costly delays could occur. This is a problematic outcome especially for newer or smaller biofuel producers who need a predictable income stream. On the remote chance that there is a significant problem at an operational biofuels facility, that has already been validated, such that it necessitates invalidation of a group of LCFS credits, then the "credit accounting system" can be made whole with the retirement of post-

¹ AltAir Paramount, LLC, a Delaware limited liability company, FEIN 36-4759310.

problem credits from the facility or through the purchases and retirement of credits by the facility. There is no need to have ALL credits from ALL providers verified prior to issuance. AltAir would really like to see ARB come back with an alternative proposal that is more in line with the risk/costs of noncompliance.

Potential Program Costs

The new MVS program is a significant expansion of the current LCFS program. These requirements will require substantial resources on all program participants with little, if any, environmental benefit. ARB should have cost estimates of this program before it is adopted. AltAir, as with many new entities, is very cost conscious, and any new costs that cannot be passed along in the price of the fuel sold could have a material impact on our operations. We are still working to determine the potential costs of the requirements proposed, but we are finding it hard to estimate the total cost with the program parameters in flux. AltAir believes that a simpler, less expensive program can accomplish the goals outlined in the PowerPoint, without the significant increase in bureaucracy and process.

Feedstock Verification Concerns

The new MVS regulatory language surrounding feedstocks is overly burdensome. This is especially true when the feedstock is sourced by dozens of separate entities. Workshop slide #18² clearly shows an intent for feedstock supplier site visits. For AltAir this is potentially a significant issue because our suppliers are all over the United States. AltAir supports the concept of a feedstock safe harbor, i.e., if you use the feedstock from the sources in your application, then you are in compliance with that aspect of your CI. Anything else is duplicative as each LCFS fuel producer must attest to the validity of its feedstocks. That letter includes very specific language³ that holds producers responsible for compliance. Quarterly feedstock verifications/audits will be costly, will necessitate delay in credit issuance, and are unnecessary. ARB should have cost and carbon emission estimates of this program before it is adopted.

² http://www.arb.ca.gov/fuels/lcfs/lcfs_meetings/verification_060216.pdf.

³ "I certify that the current fuel production process used to produce _____ (fuel) at the _____ facility is consistent in all of the following areas with all information submitted to ARB in connection with the pathway request: 1) feedstocks used in fuel production; 2) fuel and feedstock production technology; 3) geographic region in which feedstocks and finished fuel are produced; 4) transportation modes used to transport feedstocks and finished fuel and transport distances; 5) types and amounts of thermal and electrical energy consumed in both feedstock and finished fuel production; and 6) any other applicable fuel pathway standard or operating condition established by ARB. The carbon intensity (CI) of the fuel must be no higher than the CI for the certified FPC."

If you have any questions on these comments, please contact me at 562-748-4726.

Respectfully submitted,

/s/

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