

LCFS Monitoring and Verification Program Proposed Regulatory Amendments Response
from CARB June 2, 2016 Workgroup

June 23, 2016

VIA ELECTRONIC FILING

California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95812-2815
ATTN: Ms. Ursula Lai

Re: Comments on Workshop to discuss proposed amendments to clarify and enhance regulatory requirements, as well as preliminary draft regulatory language for a proposed mandatory verification program as presented by CARB on June 2, 2016.

To Whom It May Concern:

Genscape appreciates the opportunity to submit comments on the proposed framework for the Low Carbon Fuel Standard (LCFS) Monitoring and Verification Program. Genscape focuses its comments on creating an effective and efficient LCFS Credit Integrity Program as part of the Recordkeeping, Registration and Enforcement Provision amendments being considered. Please reference the comments previously submitted by Genscape in response to the March 8, 2016 workshop for supplemental information on the proposed LCFS monitoring and verification services.

Introduction to Genscape

Genscape is the leading global provider of real-time energy information for commodity and financial markets. The company provides service to more than 75 renewable fuel producers under the federal Renewable Fuel Standard (RFS) Quality Assurance Program (QAP). Utilizing patented technologies and proprietary algorithms, Genscape provides accurate, granular and timely data on capacities, flow and utilization for all major energy commodities. Genscape promotes market transparency and efficiency by providing better data.

Genscape is an international company with headquarters in Louisville, KY. Genscape's clients include refiners, fuel marketers and renewable fuel producers, including a strong client base in the state of California. Several Genscape clients are regulated entities in CARB's LCFS program.

By creating a robust standard of credit integrity and market information, Genscape services enhance market transparency, setting the stage for futures markets and liquid credit trading. Genscape offers and develops commercial solutions that solve the following business needs for credit generators and buyers:

- 1) Provides a third-party, independent verification system for credits generated. The system involves site visits, extensive document review and third-party independent monitoring in most cases.
- 2) Creates a compliance partnership for clients to help resolve questions in an efficient and thorough manner.
- 4) Provides tools and services for gaining market transparency and insights for biofuels production, storage, import and exports Promotes verified credit generators to prospective buyers via an electronic [Biofuels Dashboard](#), which is continuously evolving to add information about new renewable fuel types and new credit integrity programs. The Dashboard also provides accurate producer information, biofuel

industry updates, market pricing, supply fundamentals and educational resources.

Response to §95500 Accreditation Requirements for Verification Bodies and Verifiers

Genscape has reviewed the proposed requirements for lead verifiers as detailed under §95500 (d)(1)(A-C) and requests consideration for additional industry qualifications. Under the Lead Verifier accreditation application section of the proposed regulations, Genscape requests CARB consider including EPA approved RFS QAP service providers using the remote monitoring option to be listed as §95500 (d)(1)(D). This would allow for already qualified auditors to gain immediate inclusion as ARB accredited verifiers based on team expertise and performed verifications under the RFS2 QAP and similar LCFS audit services to-date. Giving additional qualified verifiers – especially those with significant experience in the fuels compliance marketplace – immediate access to the program is in the public interest in terms of combatting fraud. Additional consideration should be given to QAP providers utilizing real-time monitoring as a mechanism for more robust third-party data validation than traditional desk audits. In lieu of full approval, an interim approval period would allow Genscape to provide immediate services to biofuel producers, marketers, and obligated parties. Following ARB approval, Genscape could acquire expertise or gain accreditation to satisfy the CCAR and/or ISO requirements as detailed by ARB under §95500 (d)(1)(A-C).

Genscape is seeking to build the most robust LCFS verification service in the industry by combining years of experience and expertise in the biofuels space as a QAP provider with the proposed LCFS verifier requirements. CARB's inclusion of the technical expertise requirements makes for a more robust verification service. Genscape recognizes and supports these enhanced service provider requirements as a continued effort to implement mandatory, strict verification services in the renewable fuels market as an effort to greatly reduce the opportunity for fraud.

In accordance with 40 CFR Part 80¹, Genscape is currently approved by the EPA as an approved third party auditor/QAP provider. Genscape strongly supported EPA's efforts to create and implement a QAP that enhanced the integrity of the federal renewable fuels program. Genscape's QAP is the industry's most robust, cost-effective and low maintenance QAP for renewable identification number RIN verification. It is the only QAP that incorporates constant monitoring utilizing Genscape's proprietary technology. The monitoring gathers information about a biofuel plant facility that reduces the producer's burden to submit voluminous paperwork and other documentation. Genscape's monitors are configured per facility in a cooperative process with facility operators to achieve the best setup for the facility and to meet the QAP regulations established by EPA. The program provides the most flexibility to renewable fuel producers, obligated parties, mid-market participants and anyone looking to gain trust and confidence in the RINs market.

The ongoing monitoring of a facility's operations is at the core of Genscape's QAP services. Where Genscape's QAP monitoring is already in place at a facility, the same technologies can be leveraged to validate key components of LCFS credit generation integrity. Alternatively, some level of ongoing monitoring can be achieved by facility site visits by an audit professional; however, Genscape has observed that ongoing monitoring is actually a more cost-effective option than multiple annual site visits in most cases. Also, ongoing monitoring with sensing capabilities is a robust and timely method to obtain independent information on a daily basis about facility operations. Another monitoring benefit is that it saves the producer the time that would be required of facility personnel to accommodate an on-site auditor. Where Genscape offers both types of solutions, multiple

¹Federal Register RFS Renewable Identification Number (RIN) Quality Assurance Program
<https://www.gpo.gov/fdsys/pkg/FR-2014-07-18/pdf/2014-16487.pdf>
Genscape, Inc.

site visits and ongoing remote monitoring, the industry has overwhelmingly selected the monitoring option. More than 95% of the Genscape RFS QAP clients have opted for the monitoring services which incur no added cost to the producer.

Genscape has combined its unique monitoring technologies along with expertise in the carbon emissions regulatory space to provide trusted compliance solutions for entities participating in regulated programs such as LCFS and RFS. Although not currently a regulated program, Genscape provides commercial services to help clients increase their level of confidence in the validity of LCFS credits.

CARB is working to create a robust and reliable verification system that provides cradle to grave verification while incorporating into the system verification of all of the unique requirements of the LCFS. Genscape has created an independent third party verification system that can be enhanced and modified to incorporate the unique components of the LCFS. It is Genscape's goal to work with CARB to create the most comprehensive and reliable verification system by building on what it has already created under the similar but less comprehensive EPA program. Genscape views the LCFS verification program as an opportunity to put in place the most complete third-party renewable fuel verification system that is unique to CARB and in a manner that incorporates many of the non-invasive current systems already created and available to Genscape.

Summary and Closing

A LCFS credit verification program including validation of supply chain activities, renewable fuel production, energy usage and transportation to California decreases the opportunity for fuel and credit fraud and increases marketplace transparency. These methods could be applied to check the carbon intensity, fuel volumes and associated credits generated as part of the LCFS program.

Genscape appreciates the opportunity to provide comments on the CARB program for LCFS verification services and qualified provider requirements. We look forward to working with CARB in a cooperative and constructive manner on this important issue.

Sincerely,

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