



California Biodiesel Alliance

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August 12, 2016

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

Re: Comments on Third-Party Verification Workshop held July 29, 2016.

Dear Ms. Lai:

On behalf of the California Biodiesel Alliance and the National Biodiesel Board, we would like to thank you for the opportunity to comment on potential revisions to the Low Carbon Fuel Standard (LCFS) regulation, including the addition of third-party verification. As credit generators in the LCFS marketplace, we continue to appreciate the Air Resources Board's (ARB) consideration of our views on matters related to this landmark policy.

We would like to begin by expressing our appreciation to ARB staff for incorporating stakeholder input in the First and Second Alternate Proposals, including much of what was described in our comment letter dated June 16, 2016. While we prefer the Second Alternate Proposal, both concepts represent significant improvements over the original June 2nd Proposal, which we found to be burdensome and costly.

In terms of the three proposals that were discussed at the workshop, the Second Alternate Proposal is the most attractive to our members for three primary reasons:

- 1) No quarterly verification is required, reducing the regulatory burden associated with the proposal.
- 2) There is no delay in credit issuance, minimizing the chances of capital being tied up unnecessarily.
- 3) Compliance costs would be reduced relative to the original proposal.

In addition to these concepts, several other issues are of particular importance to our members.

Material Misstatement of Carbon Intensity Values.

We support the 5% threshold recommended by ARB. This is sufficient to account for typical variance at production facilities.

Frequency of Reporting.

As noted previously, we support the reduced level of reporting found in the Second Alternate Proposal. And if reporting can be further streamlined, we would be supportive of that as well.

High Risk Pathway Contributors.

In our previous comments, we recommended that a number of factors be listed as elements in such a decision and that ARB staff make the ultimate determination rather than third-party verifiers. While verifiers could document the extent to which factors are present, ARB should, in our view, maintain an active role in the decision-making process due to the fact that the agency is unbiased, free of any financial interest in the outcome. Finally, we believe that High Risk Pathway Contributors should be subject to routine, unannounced field audits since these market participants represent the greatest risk to the integrity of the program.

Conflict of Interest Provisions.

While we are generally supportive of the conflict of interest provisions that ARB staff included in the original proposal, we do suggest allowing Quality Assurance Plan (QAP) providers to also offer verification services under the LCFS and to combine site visits. We do not believe these two changes would constitute a conflict of interest, but they likely would result in considerable cost savings for biodiesel producers.

Harmonization with Other Programs.

We would like to see the ARB's verification program look identical to the QAP program in terms of structure, but perhaps with several added measures that ARB staff believe would prove beneficial. A "QAP + LCFS" compliance approach would reduce costs for the industry and California fuel consumers.

Feedstock Definitions.

We recommend the following minor amendments to the tallow/animal fat and inedible corn oil definitions:

Tallow and Animal Fats: "~~Inedible~~ Fats from the rendering industry. Solid fat extracted from the tissues and fatty deposits of animals such as cattle, sheep, pork, poultry, etc."

Inedible Corn Oil: "Oil recovered from thin stillage and/or the distillers grains and solubles produced by a ~~dry mill~~ corn ethanol plant or other non-food grade corn oil from food processing operations."

Thank you, in advance, for your consideration of our views on this important matter. If we may be of any assistance, please feel free to contact us at any time.

Sincerely,



Jennifer Case
Chair
California Biodiesel Alliance



Shelby Neal
Director of State Government Affairs
National Biodiesel Board