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Sent: Friday, August 12, 2016 2:46 PM
To: Lai, Ursula@ARB
Cc: Matt Herman; Curtis Powers; Lindsay Fitzgerald
Subject: comments on the CARB workshop held July 29th
Importance: High

This email serves as REG's formal comments to the July 29th Workshop held by CARB staff.

First, we sincerely appreciate the time and effort CARB staff have put into developing a more robust compliance regime. We support the concepts of maintaining strong program integrity and feel the last two CARB workshops have been integral to that development process. CARB staff have worked long and hard on this process and they deserve to be recognized for their efforts.

As members of both the California Biodiesel Alliance and the National Biodiesel Board, we wish to align ourselves with the joint comments they have submitted. Furthermore, consistent with our oral comments at the workshop, we feel it is important to make clear for the record, that REG strongly supports the concepts outlined in the Second Alternate Proposal. This proposal is a significant

improvement over the initial June 2nd draft. The streamlining of verification audits and the elimination of any delay in credit issuance are positive changes that need to be maintained in any future iterations of draft regulations. We believe the development of unique identifiers (UIDs) is the lowest cost and best option for ensuring marketplace responsibility under a "buyer beware" approach. Such an approach is consistent with the federal Renewable Fuels Standard (RFS) and allows for greater rationalization between the two programs. We note that there is alignment forming within our trade associations for support of this approach as well.

Other areas we wish to highlight include our support for the 5% discrepancy allowance, the move by CARB to provide greater direction and input on high risk pathway definitions and determinations as well as those around high conflict of interests. We do continue to support greater alignment of verifier certification with the EPA QAP program. While it is completely appropriate for CARB to set California specific rules in this area, we believe that that process should ultimately

include the vast majority of 3rd party verifiers in the federal program in a manner consistent with the unique needs of California under the LCFS. We also support additional clarification of section 95488 and look forward to continuing to work with CARB on the updated feedstock definitions that have been proposed.

The Know Your Customer proposals in Alternate 2 are a significant improvement over earlier iterations. We look forward to working with CARB to further improve this area before final regulations are issued.

Lastly, and perhaps most importantly, we continue to oppose moving the point of obligation off of the refining and importing industries. CARB has indicated that it wishes to harmonize the obligation with the MRR. While on the surface this may seem like a good idea, we believe there needs to be considerably more analysis before CARB staff can develop a recommendation. The MRR and the LCFS are two distinct programs. Stationary sources of GHG emissions, by definition, differ from the liquid fuel transportation market. While there may be overlap in reporting between the two, moving the compliance obligation is a significant step that requires a significant investment in economic analysis. CARB staff have indicated that the California market is “different” than the national market for biofuels implying that there are fewer barriers to entry and less blending constraints in California. We politely disagree and believe CARB should undertake a thorough and rigorous analysis of the current marketplace as well as develop impact scenarios of marketplace where the obligation has been moved prior to making any determination in this area. Any economic impact data collected by CARB, whether for this area or others, should be made available to the public for review and comment. Transparency in this area is critical.

We look forward to continuing the discussions on compliance with CARB staff and thank the agency again for the opportunity to comment on the concepts presented at the workshop.

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