



CALGREN
Renewable Fuels

October 5, 2017

Mr. Sam Wade, Branch Chief
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed Changes to LCFS Regulations

Dear Sam:

These comments are submitted on behalf of Calgren Renewable Fuels (CRF) and its affiliated companies, Calgren Dairy Fuels, LLC (CDF) and SJV Biodiesel, LLC (SJV). As you know, CRF operates a 57 million gallon per year low-carbon fuel ethanol plant in Tulare County, an area with persistently high unemployment. CDF anticipates starting up an innovative biodiesel plant in the first quarter of 2018 designed to use low carbon waste feedstocks. About the same time CDF's dairy digester cluster project will come on stream.

CRF and its affiliates thank you and your staff for your hard work and vision in creating an environment where low carbon projects such as ours can take root and flourish. As with so many other biofuels facilities, ours is located in a neighborhood where good jobs are scarce. We are especially excited about CDF's eleven-dairy cluster project since it will not only dramatically lower the carbon intensity of CRF's and SJV's renewable fuels, but will also be a major step forward in addressing the policy objectives laid out in SB 1383.

However we are concerned about one of the proposed LCFS changes. In earlier conversations with your staff regarding the ramp up of our eleven-dairy cluster, it was suggested that we apply for several provisional pathways, each differing only by biogas percentage. We are prepared to do so. However, we question how this approach will work in view of the proposed changes to the LCFS regulations.

Our concern relates to the need for at least three months of data combined with the proposed changes to Section 95486(a)(1). This regulation currently states in part:

Where an application...pursuant to sections 95488 or 95489 has been completed but not yet approved, the applicant may report transactions in the LRT-CBTS. When the Executive Officer approves the section 95488, or 95489 application..., the Executive Officer will recognize any credits generated during the quarter in which the approval takes place, and one previous quarter, provided that the application was complete during that previous quarter.

In effect, this allows for recognition of credits generated while an application is pending. But it is proposed that this language be struck. If this regulatory change is approved, presumably all credits that could have been generated while a pathway applicant recorded the necessary three months of data and while the application was pending will be lost, at least to the applicant. For a project with a single pathway, this is significant. Since CRF and SJV will need to submit multiple applications to cover the ramp-up period for CDF's eleven dairies (hopefully with more soon to follow), this could be huge.

If this revision is approved, CDF or its affiliates will be at risk of losing three months of credits each time a new dairy comes on line. That would be unfair; merely ramping up the percentage of biogas used should not cause serial forfeitures. CRF uses two feedstocks (corn and sorghum) and SJV will use even more (e.g. brown grease, extracted corn oil, and acid oil from soapstock). Losing carbon intensity benefits for each of these feedstocks coupled with each of the applicable biogas percentages would geometrically increase the forfeitures.

We also question how this proposed change in the regulations will impact the ability to receive credit for avoided methane emissions at participating dairies. As written, the amended regulations would appear to put three months of those benefits at risk each time a new dairy is added to the cluster.

The proposed regulatory change will be especially hard on California biofuel start-ups in at least two respects. First, it will create a barrier to entry for new production facilities. Since California fuel purchasers will only pay a competitive price for low carbon products and since new producers will be unable to provide low carbon products during their first three months of existence and during the next several months of application pendency, all innovative biofuel startups will initially be disadvantaged. Second, this disadvantage will be exacerbated in the case of California startups, since they lack easy access to out-of-state markets where fuel products without a low carbon rating are not disadvantaged.

For the foregoing reasons, we urge that the foregoing amendment to Section 95486(a)(1) be reconsidered.

Thank you for your kind attention to these comments.

Very truly yours,

/s/ Lyle Schlyer

President
Calgren Renewable Fuels
Calgren Dairy Fuels, LLC
SJV Biodiesel, LLC