



October 6<sup>th</sup>, 2017

Mr. Samuel Wade  
Chief, Transportation Fuels Branch  
Industrial Strategies Division  
California Air Resources Board  
1001 I Street  
P.O. Box 2815  
Sacramento, CA 95812

Dear Mr. Wade:

White Energy, Inc. as a biofuel producer and strategic partner of the California Low Carbon Fuel Standards program is submitting the following comments for consideration. We feel that the comments included would strengthen the program while insuring that program participants have the tools available to navigate all the new process and procedures to be enacted in 2019. White appreciates the opportunity to help California shape its policy and reach its GHG reduction targets.

During the Sept. 22<sup>nd</sup>, 2017 Pre-Rulemaking Workshop ARB staff presented new regulation regarding fuel pathways and verification. Under §95488.9 (5) the fuel pathway holder is given two options if verified CI is found to be lower than the current pathway CI. The first option is to maintain the current pathway and the second is to replace the current pathway down to with the certified CI. White Energy proposes an amendment to §95488.9 (5)(A) that would allow for the pathway holder, if they so decide to maintain the current pathway, bank the credits that would have been created between the certified CI and the fuel pathway creating an insurance pool for the pathway holder. The pool would then be used to satisfy deficits in later audit years if adverse findings are found. A similar concept has already been introduced in §95486 (3) in which credits would be syphoned from CCS projects, deactivated accounts and unrecognized credits from reporting errors. The credits created from this verification process will have already in essence been verified through the verification activity and quantified through the very same. The fuel pathway holder could, through additional reporting to CARB, maintain the balance within the CBT. In order to keep them separated from generally created credits in the CBT accounts, a unique prefix could be given to the credit identification number that has been discussed in §95486 (4).

The purpose of the fuel pathway holders' individual insurance pool is to mitigate swings in certified CI from one year to the next. Several factors that could come into play as to why a fuel pathway holders CI score would be certified as lower than its approved fuel pathway or vice versa. Some of these could be related to agricultural conditions during the verification period and economic operational decisions. Biofuels produced from either agricultural crops or from residual biomass will have variations of availability. In years in which supply constraints of feedstock force biofuels producers to source from further areas CI will be affected adversely. Conversely in years in which supply is abundant CI will be affected positively due to sourcing from much shorter distances. Additionally, production facilities may be forced to reduce production for a time due to storage constraints or market conditions. Inefficiencies from such a reduction will ultimately pass through to the CI score given to fuels certified for that timeframe. ARB would have the added benefit of better visibility of how many credits are actually created in comparison to the credits that are recognized for compliance obligations.

Thank you for your consideration,

Greg Thompson  
CEO  
White Energy, Inc.