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Sent: Monday, November 14, 2016 9:26 AM
To: Aguila, Jim@ARB
Cc: Spranger, Carmen@ARB; Dr. Jan Henke
Subject: Comments Whitepaper

Dear Jim,

I hope this e-mail finds you well.

From our point of view, this White Paper provides a good overview about the framework of your LCFS verification and certification program. It serves as a good basis for the further development.

We are grateful for the opportunity to provide some comments:

1) Verification fuel pathway

According to the document, you are considering mandatory verification of i.a. fuel pathway carbon intensities.

For us it is not clear yet, where this verification will take place. What type of chain of custody information for which feedstocks and finished products should be forwarded?

To do all of this in a consistent way it is in our opinion required to verify not only at the final producer but at relevant elements of the supply chain from farm/country elevator to final biofuel producer.

Only based on this, the correctness of the final CI figure can be calculated across supply chains.

2) Land use change and GHG emission savings in agriculture

How do you ensure that biofuels used in California do not contribute directly to deforestation and high GHG emissions due to land use change?

By setting a standard value this cannot be covered. It also does not provide incentives for individual companies to actively reduce in GHG emission reductions.

(By the way, the high emissions of agriculture and options to reduce those emissions are an important topic currently discussed in Marrakesh. LCFS could contribute to reducing GHG emissions in agriculture by providing the respective incentives.)

3) Certification of units along the supply chains

To really control supply chains and be assured about CI numbers, and to provide individual incentives for improvement, the different elements of the supply chain must be certified, as e.g. shown in figure 1 of the white paper. Any certificate holder can buy from any other certificate holder. Supply chains remain flexible and certificate holder with a low CI number have an advantage.

4) Independent third party certification schemes

We believe that the best option to verify sustainable and low carbon biofuels is to apply a ARB controlled and steered system with ARB recognized certification systems and certification bodies. In Germany, for example, the German authority (Bundesanstalt für Landwirtschaft und Ernährung, BLE) is recognizing certification schemes and bodies, and is actively controlling via office and witness audits on site the work of the auditors. The system works well, other EU member countries followed the German example.

Advantages of such an approach are manifold, e.g.:

- Certification schemes have the option to strictly control global supply chains
- Certification schemes can act quickly, e.g. in cases in which fraud takes place
- Certification schemes are involved in regional stakeholder discussions facilitating actions on the ground
- Certification schemes provide a counter weight to companies guaranteeing that pressure from the clients

of the CBs is being kept under control

Witness audits of the German BLE in third countries is not considered as a sovereign activity as the BLE staff is only checking the performance of the auditors. If the BLE would conduct audits itself, this would be considered as sovereign activity in a third country. This is (often) not accepted by countries, and results in difficulties in implementation.

Certification systems are in a position to implement quickly and for international supply chains what ARB is asking for.

Attached, pls. find a figure explaining our thoughts about a potential set up. Happy to discuss more in detail, as required.

5) Acceptance by the industry

On page 14 of the white paper you say that approx. 12% of the LCFS biofuel producers are certified by either ISCC or Bonsucro already. We believe that the volume share is already much higher. Thus, a „harmonized“ approach could increase acceptance by the industry and would reduce complexity and costs for the industry.

I hope you will find our comments helpful.

Best regards,

Norbert

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