



BP America, Inc

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**Via Email**

Sam Wade  
California Air Resources Board  
1001 I Street, Sacramento, CA

**Re: BP Comments on CARB's October 24, 2106 LCFS Workshop and LCFS Verification White Paper**

Dear Sam:

BP appreciates the opportunity to provide feedback on the concepts discussed at the October 24, 2016 LCFS workshop and on the LCFS Verification White Paper.

**Support for Verification of LCFS Credits**

BP supports the implementation of a mandatory verification program for LCFS credits. Naturally, a mandatory verification program will have cost associated with it which is acceptable because if done correctly, the program will reduce the potential for errors or fraud in credit generation. CARB should work to align the verification program for LCFS credits as closely as possible to the RFS QAP program, to reduce cost, redundancy, and burden on credit producers.

However, the Verification Whitepaper issued on 21 October, 2016 fails to address two other items that should go hand in hand with the proposed framework: Unique Identifiers for credits and protection against the "buyer beware" invalidation risk. Inclusion of both UIDs and reduced invalidation risk for buyers will strengthen the verification framework and justify the cost that will be passed through from the producers to the buyers of the credits. Both of these items have previously been addressed in other workshops and CARB proposals, and we are concerned to see them omitted from the whitepaper.

**Specific Comments on Verification Framework**

*Rotation of Verification Firms*

The proposal to require rotating verification firms every 6 years will present problems for some producers of fuels. While all verifiers may be accredited and qualified under CARB's standards, not all verifiers can be specialized in every type of fuel allowed under

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the LCFS program. For credit producers that have invested in educating verification firms on their fuel pathway, either for purposes of pathway applications or QAP program acceptance, being required to rotate that firm every 6 years will create added cost and time lost in bringing on the new firm. Instead, in BP's experience a balance between independent verification and retaining knowledge has been found by keeping the same verification firm but rotating the partner assigned to the business. This allows the learning and expertise developed by staff to be retained and harnessed while a new partner is able to independently scrutinize the results.

*Invalidation Step*

The addition of an invalidation step in the pathway application process seems unnecessary and will only add to the length of time it takes for a fuel producer to obtain a pathway. Additionally, ARB's statement that the invalidation step will be added on a case by case basis with a tendency toward larger fuel producers seems counterintuitive as history has proven that it is generally the smaller credit generators that fly under the radar and can result in cases of fraudulently generated credits, as evidenced in the RFS program's history of biodiesel fraud cases. If ARB intends to pursue the invalidation step, then at a minimum some justification and resulting benefit should be reaped from this addition. ARB should address questions, such as does this invalidation step allow other parts of the pathway approval process to be completed more quickly, will producers or credit buyers have indemnification from invalidation fines/penalties, or other potential benefits.

*Point of Obligation*

Significant investment has been made by participants in the LCFS program to enable the necessary reporting and compliance processes laid out in the regulation. A change to the point of obligation at this point would add cost, confusion, uncertainty, and a resource burden. The EPA has also recently considered a move in the Point of Obligation for the RFS program, but very recently issued a denial to that petition. ARB is encouraged to review EPA's justification for the denial in consideration of its own proposal.

As always, please feel free to contact me if you wish to discuss these comments in more detail.

Sincerely,

Ralph J. Moran  
BP America, Inc