

November, 2020

California Air Resources Board
LCFS Team

Re: Comments on FBN/Poet Proposal at LCFS Workshops 10/14/20 & 10/15/20

Dear LCFS Team:

Thank you for the opportunity to comment on the ideas put forward for future rulemaking activity in the recent October LCFS workshops. Please find several comments below. For any clarifications or questions, please contact Julie Witcover at jwitcover@ucdavis.edu.

Sincerely,

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FBN – Farm-level LCFS crediting for management practices.

This is an interesting idea that could usefully be explored, although raises a number of considerable challenges that would need to be thoroughly vetted and addressed before any proposal were adopted. First, bringing this option under the program is likely to result in “windfall” credits for lower-CI rated farms, not associated with any carbon-saving change in farm practices, due to resource shuffling or just the shift in recognition of the situation on the ground for farms already involved in the LCFS supply chain. The LCFS has not in general imposed additionality criteria on fuels coming into the program thus far;¹ indeed, the initial phase-in of the LCFS and initial moves to allow opt-in of fuel pathways to pathway-specific CI values both had this “windfall” (non-additionality) characteristic of credit generation not necessarily associated with on-the-ground changes. The institution of farm-level CI values could also have the potential of substantial non-additional credit generation. This deserves attention both in terms of impact on credit market integrity given the scope of the program, and of GHG impact evaluation. Moreover, methods to mitigate or correct for non-additionality should also be explored as an

¹ Old non-road electric vehicle crediting is a partial exception, as this transport pathway does not earn credits for displacing a reference fuel. Project credits are an exception, since they have their own baseline against which carbon reductions are measured, rather than against the CI benchmarks.



element in expansion of credit generation opportunities more generally as the program moves into its second decade.

An opt-in set-up as in the initial FBN proposal also suffers, as did the initial move to opt-in individual pathway CI values, from a “Lake Wobegone” effect, where there’s incentive for low-CI agents to opt-in, while the rest of farms take the “average” CI value. This leads to credits being generated that are not associated with real GHG reductions, as higher-than-average CI value farms do not opt in. There are several ways that this issue could be addressed, such as moving everyone to farm-based CI values, recalculating a more reflective average for non-opt-in pathways, or making the default CI value for this aspect of the lifecycle much higher. Another path to correct this situation might also be less administratively burdensome than these options, address additionality, and open this possibility to more participating farms, less tied to natural resource endowment: instituting crediting for farm-based CI value improvements in the “project” system. Administrative and other challenges would pertain to establishing a baseline against which the gains could be measured and dealing with annual variability, among other factors. As with other projects, an initial cap on potential credits could incentivize early behavior, allow gaining familiarity with the system and likely on-farm practices, that could translate into additional reforms. It is worth noting that the CARB LCA method opens the door to this source of credit generation since farm management is accounted for using direct methods. Not all policies proceed this way – for example, the EPA, under the RFS, includes this factor along with land use change as part of its market equilibrium analysis. The FBM proposal left out soil carbon accounting; this aspect involves more complications (e.g., permanence of soil sequestration as well as potential indirect effects), and would require more thorough development, perhaps using the CCS protocol or California Tropical Forest Standard as models. More science and policy in this area, however, is much needed.