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Mary Nichols, Chairman
California Air Resources Board
1001 I Street, PO box 2815
Sacramento, CA 95812

Dear Chairman Nichols:

I would like to thank you for the opportunity to comment on the proposed changes to the California Air Resources Board's Low Carbon Fuel Standard. Murex LLC is a marketing partner for ethanol producers, and in particular several low carbon producers and potential low carbon producers in the California market. We consider programs such as California's Low Carbon Fuel Standard an important element in our partners' success in bringing innovative low carbon products into the fuel market.

In regards to the proposed changes to the program for presentation to the board in July, there was one amendment that raised concern:

(2) Provisional Pathways. As set forth in sections 95488(c)(3) and (c)(4)(I)2.,

LCFS fuel pathways are generally developed for fuels that have been in full commercial production for at least two years. In order to encourage the development of innovative fuel technologies, however, applicants may submit New Pathway Request Forms, as set forth in section 95488(c)(1), covering Tier 1 and Tier 2 facilities that have been in full commercial operation for less than two years, provided they have been in full commercial production for at least one full calendar quarter. If that form is subsequently approved by the Executive Officer, as set forth in section 95488(c)(2), the applicant shall submit operating records covering all prior periods of full commercial operation, provided those records cover at least one full calendar quarter. The following subsections govern the development, evaluation, and post-certification monitoring of such provisional pathways.

Following the provisional certification of a fuel pathway application, the applicants shall submit copies of receipts for all energy purchases each calendar quarter until the Executive Officer is in possession of receipts covering two full calendar years of commercial production. At any time during those two years, the Executive Officer may revise as appropriate the plant's actual operational CI based on those receipts. Based on timely reports, the applicant may generate provisional credits. Such credits may not be sold, transferred, or retired for compliance, nor may fuel with a provisional CI be transferred with obligation. The applicant may not sell credits generated under a provisionally-approved fuel pathway, or transfer the provisional fuel with obligation, until the Executive Officer has adjusted the CI or informed the producer that the provisional CI has been successfully corroborated by operational records covering a full two years of commercial operation.

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(A) If the plant's operational CI is higher than the provisionally-certified CI, the Executive Officer will replace the certified CI with the operational CI in the LRT-CBTS system and adjust the producer's credit balance accordingly.

(B) If the plant's operational CI appears to be lower than the certified CI, the Executive Officer will take no action. The applicant may, however, petition the Executive Officer for a provisional CI reduction to reflect operational data. In support of such a petition, the applicant must submit a revised application packet that fully documents the requested reduction.

Murex has several concerns with the above proposal:

- It will put new fuel producers at a disadvantage in the marketplace to all competitors capable of generating carbon credits. The regulated parties that are ultimately responsible for meeting the lowered carbon standards will want to purchase fuels that produce credits that can be transferred with obligation.
- Because of the above disadvantage, new low carbon fuel producers will not be competitive in the California market and will have to ship to other markets, slowing the introduction of low carbon fuels into California, and making the new lower carbon targets harder to meet.
- Innovative fuel producers in and near California will be especially disadvantaged as, unable to meet the carbon requirements of California buyers, they may have to ship the product and bear transportation costs as opposed to serving the local markets.

Given the above concerns, Murex would like to formally request that the California Air Resources Board consider allowing new producers with new technologies to produce and transfer credits at the start of production, with quarterly reviews to ensure that operations coincide with the carbon intensity allowed, and adjust the carbon intensity on a forward basis.

Furthermore, Murex would like to propose that the California Air Resource Board consider certifying third parties to conduct these audits on new producers, within established guidelines. This will allow close monitoring of new fuels to ensure the credits generated are in line with production, without being overly burdened with the increased oversight.

Programs like California's LCFS are essential to bringing new low carbon technologies to the fuels market worldwide. This support is most important in the first stages of the new technology. Please consider revising the above proposal to allow new fuels to produce carbon credits in California.

If you have any further questions, I can be reached at ldraney@murexllc.com, or by phone at 972.735.3316.

Thank you,



Lisa Draney, Carbon Compliance Manager