LOW CARBON
FUELS COALITION

April 21, 2018

The Honorable Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Low Carbon Fuel Standard Extension

Dear Chair Nichols,

The Low Carbon Fuels Coalition ("LCFC") appreciates the opportunity to provide comments regarding the various amendments pertaining to the Low Carbon Fuel Standard, and particularly the extension of the LCFS carbon intensity reductions to 2030. The LCFC is strongly supportive of the program extension, the additional carbon intensity reductions, and the robust and transparent rulemaking that Air Resource Board ("ARB") staff have conducted over the past two years. The LCFC has been a steady participant in the rulemaking since its inception, and has kept its members updated about activities and developments throughout the process.

The LCFC represents a range of fuels and technologies including producers and developers of biodiesel, ethanol, renewable natural gas, waste-derived fuels, and other low carbon fuel industry participants. The LCFC tracks regulations and legislation, advocates for policies that benefit the entire low carbon fuels industry, and facilitates industry success through consensus and coalition building. LCFC members include AGRON Bioenergy, California Ethanol and Power, Cap-Op Energy, EcoEngineers, Enerkem, Fulcrum BioEnergy, Iogen Corporation, LanzaTech, Novozymes, Pearson Fuels, SCB Group, SeQuential Biofuels, Targray and Weaver.

Program Extension and Carbon Intensity Reduction

The LCFC considers the LCFS to be a flagship greenhouse gas reduction program. The centerpiece of our mission as an organization is to support the LCFS program structure in California, to actively assist in its implementation, and to promote carbon intensity (CI) based transportation programs in other jurisdictions. Toward this end, the LCFC has proposed to host a Low Carbon Fuel Standard focused side event at the Global Climate Action Summit (GCAS) in San Francisco this coming September. The goal of the side event is to promote technology-neutral CI-focused programs in the transportation sector to other jurisdictions, to explain how the California and Oregon programs operate, and to discuss the extensive benefits of such programs.

The LCFC therefore regards the extension of California's program to 2030, and the reduction of CI to 20% as major victories and commends ARB staff, management and the Governing Board on these accomplishments. To the low carbon fuels industry, policy stability and integrity are essential to success. By setting a CI table out to 2030 that aggressively decarbonizes California's transportation fuel, California is sending a strong and clear market demand signal that will correspondingly increase low carbon fuel supply and the development of related businesses, infrastructure, and technologies.

The drawing of the curve has received substantial attention, and we would like to provide our organization's perspective on it. We appreciate and respect staff's diligent work in analyzing the anticipated supply of low carbon fuels, and the corresponding anticipated availability of credits. We recognize that the steep drops in CI between 2018-2020 were not attributable to ARB policy design but instead to legal challenges. We share the concern that a prolonged period of deficits in the LCFS market would heighten political pressure against the program, and could be used as a political talking point to weaken the program in the 2020's. Within this context, we are supportive of the CI reduction curve as proposed between 2018 and 2030.

We would like to emphasize that it is only these extraordinary conditions that underlie our support for the short-term modification in the CI curve over the next several years. Program stability is of enormous importance to the low carbon fuel industry, and it is undermined by tinkering with the fundamental metric of the LCFS: the mandatory CI score that must be achieved by regulated parties for a specific year. We urge ARB to regard the CI tables to 2030 as not etched in stone but as subject to change only in extraordinary conditions where program integrity would be substantially undermined if adjustment did not occur. From a low carbon fuel perspective, weakening the CI requirements will inevitably cause some damage to the market. Therefore, ARB should resort to this measure in the future only in extraordinary circumstances and when there is high confidence that the long-term benefit will outweigh the inevitable damage.



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## Alternative Jet Fuel

The proposed regulatory changes cover many aspects of the LCFS. We generally support these changes but would like to in particular express our support for ARB's proposal to allow alternative jet fuel (AJF) to generate LCFS credits as an opt-in fuel. By including low carbon AJF in the program, ARB will stimulate the development of low carbon fuels for a sector of transportation that currently lacks other effective options for decarbonization. By sending a clear and long-term market signal that AJF is eligible to generate LCFS credits in addition to Renewable Fuel Standard credits (known as RINs), ARB is facilitating investment and development in the de-carbonization of the aviation sector. This pioneering work by California is crucial given the anticipated growth of the aviation sector, the technical and energy intensive demands of this sector, and the dependence of this transportation sector on liquid fuels.

## LCFS Program Benefits

We would like to join other trade organizations, businesses, fuel providers, and public health, and consumer and environmental organizations in recognizing the impressive benefits to California that the LCFS has already delivered:

- Since its inception in 2011 and through Q3 2017, the LCFS has helped the state avoid about 33 million metric tons of carbon emissions, and almost 10 billion gallons of petroleum.[1]
- In Q3 2017, the most recent quarter for which LCFS data are available, the carbon intensity of all transportation fuels used in the state decreased 3.7 percent relative to a 2010 baseline.[2]
- Since its inception, the LCFS has increased investment in the clean fuels market—including production and distribution—by an estimated $2 billion, helping lead to alternative fuel use increasing by 64 percent.[3] The LCFS is spurring investments across the clean fuel supply chain.

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[1] Calculated from California Air Resources Board, *2017 LCFS Reporting Tool, Quarterly Data Summary, Report No. 3*, https://www.arb.ca.gov/fuels/lcfs/dashboard/quarterlysummary/20180131_q3datasummary.pdf

[2] California Air Resources Board, draft LCFS ISOR Executive Summary, February 20, 2018, https://www.arb.ca.gov/fuels/lcfs/2018-0220_preliminary-draft-lcfs-staffreport_es-ch1-2.pdf

[3] Calculated from ARB's quarterly compliance data which tracks industry performance.



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- The LCFS, when combined with other strategies like carbon pricing, is delivering health benefits that will continue to grow as the use of cleaner fuels and cleaner vehicles increase due to these programs.
- The LCFS credit program helps make the use of clean, low carbon fuels economically viable for fleets, such as local transit operators. And with more diverse fuel choices,  more efficient cars and less-frequent trips to the pump, Californians’ annual fuel costs are declining thanks to our climate and energy policies.

<u>Conclusion</u>

Thank you for your consideration of this comment.  Please let me know anytime we can be a resource to the agency.

Sincerely,

Graham Noyes
Executive Director