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April 12, 2018

Mary Nichols
Chairman
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

Re: Comments on *Proposed Amendments to the Low Carbon Fuel Standard Regulation (Staff Report: Initial Statement of Reasons)*

Dear Chairman Nichols:

On behalf of major U.S. businesses representing over $400 billion in annual revenue, we appreciate the opportunity to provide comments on the California Air Resources Board (ARB) Staff Report: Initial Statement of Reasons (ISOR), released on March 6, 2018, that outlines proposed amendments to the Low Carbon Fuel Standard (LCFS) regulation. We write in strong support of an ambitious strengthening and extension of the program through 2030; the LCFS plays, and must continue to play, a key role in the state's efforts to reach its climate targets. Based on evidence provided by several recent fuel availability assessments performed by independent consultant Cerulogy and, separately, ARB staff, **we urge the ARB to advance a LCFS program with a 2030 Carbon Intensity (CI) target of at least 22%.**

Business for Innovative Climate and Energy Policy (BICEP) is a coalition of leading businesses, including many California-based companies such as Levi Strauss & Co., eBay, Salesforce, and Dignity Health. BICEP members recognize the economic opportunities associated with tackling climate change and the costs of inaction. We are committed to working with policymakers to pass meaningful energy and climate legislation and regulation that will help the nation rapidly transition to a low carbon, 21st century economy.

We applaud ARB staff for recommending the extension of the program through 2030. The LCFS has a strong track record of economic, environmental, and public health success in California and through this success has garnered the support of a large group of stakeholders including environmental, public health, environmental justice, and business groups as well as fuel producers. Since 2011, the LCFS has helped avoid the emission of 33 million tons of carbon pollution and use of almost 10 billion gallons of gasoline. The program has also helped avoid over $1 billion in public health costs and has helped reduce local, toxic air pollution in communities through the state. In addition, there's strong evidence that the LCFS drives economic opportunity. In the last seven years $2 billion in low carbon fuel investment has flowed into California helping to create over 300 clean transportation companies that employ 20,000 workers across the state. And by diversifying fuel supplies and lessening dependence on imported oil, the LCFS has helped reduce fuel price volatility, helping California businesses and fleet managers to plan and minimize costs.

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Ambitiously strengthening the LCFS through 2030 also helps advance a key AB 32/SB 32 priority - leveraging the state's climate leadership to drive greenhouse gas emission reductions in other jurisdictions. As a global climate policy leader with a well-developed policy structure, California is uniquely positioned to provide support and resources to other jurisdictions that are developing climate policy frameworks. California's LCFS is a model policy, variations of which have been replicated or are under consideration in several other subnational and national jurisdictions. BICEP supports ARB's work to develop a policy framework that is exportable. Building a regional, national, and international market for low carbon fuels is vitally important to send the right market signals to industry to invest in projects with scale.

In general, BICEP supports ARB staff's proposal outlined in the ISOR that adjust pre-2020 targets. A near-term benchmark schedule with a linearly and consistently strengthened CI target will ensure that the program continues to provide a dependable and increasingly strong market signal to the low carbon fuel economy. However, based on recent fuel availability assessment completed in March 2018 by independent firm Cerulogy and additional supporting analysis, including modeling provided by ARB in the ISOR, we believe that a 2030 20% CI target is unnecessarily weak and fails to take advantage of the full potential of the low carbon fuel market. Based on current analyzes, we support a 2030 CI target of at least 22%, with increasing stringency in the later years of the decade.

Cerulogy's analysis - *California's Clean Fuel Future: Assessing Achievable Fuel Carbon Intensity Reductions Through 2030* - finds that California could potentially increase its LCFS target in 2030 by as much as 25 percent—and spur more rapid deployment of clean fuels. The study evaluates a range of potential LCFS credit scenarios. The Steady Progress scenario, a conservative estimate of fuel availability, assumes that fuel supplies develop at a moderate pace and the LCFS credit bank retains a balance essential for the health of the program. This scenario yields feasible reductions of 22% by 2030 when program stringency is increased after 2025. Given that this scenario did not account for the full potential of all credit generating pathways, including the use of renewable energy to charge electric vehicles, a 22% CI target is clearly a realistic goal. The High Performance scenario considers the effect of feasible future policies and innovation which allow fuel supplies to develop at the upper end of their likely range. It finds 2030 reductions above 25 percent are possible. Given these findings, and the success of the program to date, we urge ARB to direct staff to set a more ambitious 2030 target of at least 22%.

Our support is firmly grounded in economic reality. We know that tackling climate change is one of America's greatest economic opportunities of the 21st century and we applaud California's leaders for taking steps to help the state seize that opportunity. As successful businesses, we know the importance of recognizing and seizing opportunities. Given the importance of the LCFS in reducing carbon emissions, promoting fuel diversity, reducing public health impacts, and driving economic development in the state – and recent supporting fuel supply analysis – we strongly support ARB adopting an ambitious, yet feasible post-2020 LCFS program with a 2030 CI target of at least 22%.

Sincerely,

Anne Kelly

Anne Kelly
Director, Business for Innovative Climate & Energy Policy (BICEP)