



April 23, 2020

Mary Nichols, Chair
California Air Resources Board
1001 I street
Sacramento, CA 95814

Comments on Proposed ADF Amendments (adf2020)

Chair Nichols and Board members:

To date, Renewable Energy Group (REG)¹ has never opposed a rulemaking before this body. Therefore, it is with some reluctance that we write to urge CARB to reject the ADF amendments as presented, and instead, direct staff to re-engage stakeholders in an effort to develop a better data driven set of amendments that will uphold the integrity of the program.

The concepts in this proposal have broad implications, which extend beyond a simple rule change or a technical clean up. While we perceive these concepts as an honest effort to address potential shortcomings in the additive testing environment, we are very concerned. They have the potential to negatively impact a broad segment of suppliers of alternative diesel fuels – both biodiesel and renewable diesel which is critical to the success of the program and clean air in California.

While we believe there are a number of issues with this proposal, our primary concern focuses on the math and formulas CARB staff use to arrive at acceptable NOx mitigated biofuel. The 2.75 to 1 ratio staff cited in the report is not reflected in its language on R75-B20 blends. CARB's own science, nearly 10 years old now, presented a range for NOx mitigation. In that data, 2.75 to 1 was the most conservative value in testing. This proposal goes well beyond that and simply is not supported by the numbers.

¹ Renewable Energy Group, Inc., (NASDAQ: REGI) is leading the energy industry transition to sustainability by transforming renewable resources into high-quality, cleaner fuels. REG is an international producer of cleaner fuels, North America's largest producer of biodiesel, and a leading producer of renewable diesel. REG solutions are alternatives for petroleum diesel and produce significantly lower carbon emissions. REG utilizes an integrated procurement, distribution and logistics network to operate 13 biorefineries in the U.S. and Europe. In 2019, REG produced 495 million gallons of cleaner fuel delivering 3.7 million metric tons of carbon reduction. REG is meeting the growing global demand for lower-carbon fuels and leading the way to a more sustainable future.



As a manufacturer of renewable diesel (RD), we can attest that this proposal in no way grows biomass-based diesel supply in the California market. Since the pool of RD is not growing, using the R75-B20 formula in effect *limits* the amount of biodiesel available for blending. It is important to note that biomass-based diesel generated over 46 percent of the LCFS carbon reductions and credits in 2018, and over 41 percent of the credits during the life of the LCFS to date. CARB should encourage - and not unnecessarily burden - biomass-based diesel fuels that are critical to CARB's climate and air quality program goals.

The ability for California to achieve its carbon reduction goals will be impaired if availability of lower CI fuels is artificially limited in the future. If rushed into implementation, this proposal could have the unintended but very real consequence of deepening the compliance deficit expected in the later years of the program before widespread electrification can become a reality. Proposals that could put the long-term success of the LCFS at risk require greater scrutiny, more thorough review and a higher level of analysis before adoption.

Normally, these concerns would be raised within multiple levels of CARB staff prior to this stage. Unfortunately, the process used here falls far short of CARB's historic standards for fair and deliberative rulemakings. Important rulemakings typically involve one to three years of analysis and development, and address key issues with stakeholders; we have seen this in past amendment packages to the ADF, and this occurs prior to the start of the 45-day formal period leading to the Board hearing.

For this rulemaking, stakeholders received just over three months total, including the 45-day comment period. A three-month rulemaking appears more appropriate for an emergency rulemaking, and there is no emergency involved here. We are now in April with the Board considering this proposal; this means much of the process occurred as the pandemic took hold of California and the rest of the United States. That reason alone should slow Board action in this area.

Our collective goal should be to ensure that any rulemaking aligns with CARB's overall responsibility to improve air quality in California and its goal of encouraging significant carbon reductions in the transportation fuel supply. Directing staff to develop a 15-day change is the appropriate action today. Delaying immediate action in favor of a more robust process does no harm to the LCFS program, California businesses or, more importantly, California citizens. However, if our concerns prove correct, the damage to the program could be significant. Artificially limiting lower CI fuels and effectively deepening the compliance deficit at a time when the coronavirus pandemic has affected the California economy through crashed energy prices, damaged private capital, business closures and individuals out of work at levels rivalling the Great Depression, is not an appropriate step for the program.



There is an excellent opportunity before the Board today to demonstrate thoughtful leadership and good stewardship of the LCFS program by directing staff to further engage stakeholders and refine the proposal before the Board.

We again request that the Board direct staff to engage in a 15-day change to the proposal.

Thank you for your consideration.

Sincerely,

Scott R. Hedderich, Executive Director
Renewable Energy Group