

December 21, 2022

Hon. Liane M. Randolph, Chair  
California Air Resource Board  
1001 I Street  
Sacramento, CA 95814

Re: November 9 2022, Public Workshop Regarding Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph:

Bunge is the world's largest oilseed processor by crush volume capacity. As a leading producer and supplier of feed and specialty plant-based oils and fats, we buy and process agricultural commodities, turning them into a number of products that we transport around the world to be used in the food industry, animal feed, and — increasingly — the renewable diesel industry. We are committed to meeting these needs sustainably.

Our commitment to sustainability is core to what we do as a business. The very nature of the work we do — connecting farmers to consumers to deliver essential food, feed, and fuel to the world — requires a deep understanding of the environment and market demands around us. It means we must face head-on the realities of a changing climate and the role we play in minimizing our impact on the planet while meeting the needs of consumers and communities.

We recognize that climate change presents significant risks not only to our business, but to the wider food and agriculture industry. We believe that ambitious steps must be taken by businesses individually and collectively to address the climate crisis. And so, at Bunge, we are taking a leading role in shaping more sustainable food systems. This starts with changing the way we think as a business: Driven by a variety of teams and levels of leadership, we have embraced climate-focused decision-making with strong business benefits throughout our organization and across our business. These climate-focused decisions include ambitious goals.

Bunge is well on its way to meeting our commitment to eliminate all deforestation and native vegetation conversion in our supply chains in 2025. Over 95% of our crop volumes in South America are already deforestation-free. Reaching this milestone is the product of our efforts across multiple fronts to build relationships with farmers, develop powerful tools to incentivize sustainable agriculture, and support sector-wide partnerships to achieve impact at scale.

We have built the sector's most comprehensive and robust traceability and monitoring system which gives us unprecedented insight into our supply chain. It is a foundational component of our non-deforestation commitment and helps us to mitigate against land-use change in our

supply chain. We have also worked to forge connections with farmers. Together these investments in processes and people result in supply chains that often exceed the minimum socio-environmental compliance criteria.

Bunge is also focused on reducing its own greenhouse gas (“GHG”) emissions as well as those throughout its supply chain. We are improving the efficiency and sustainability of our own operations by investing significant capital expenditure into projects that will reduce our GHG emissions. Bunge has also been procuring zero- or low-carbon sources of energy. Today, three of our facilities in North America run on 100% wind power, adding to a growing list around the world. Bunge’s goal is to reduce its own emissions by 25% and the emissions throughout our supply chain by over 12%, by 2030. These targets are validated by the Science Based Targets Initiative, are aligned with Paris Climate Agreement expectations, and are audited by a credible independent third-party every year.

In addition to improving existing supply chains, the urgency of climate action also provides opportunities for new sustainable markets and products. For example, as consumers and governments seek lower carbon-intensity fuels, we are expanding our partnerships to increase our ability to meet growing demand for the next generation of renewable fuels and the development of lower carbon-intensity feedstocks. This allows us to leverage our experience to help shape the sustainability of the growing renewable energy industry.

The next several years will be critical to keep the Paris Agreement’s goals in sight. Accordingly, the California Air Resources Board’s (“CARB”) consideration of potential changes to the Low Carbon Fuel Standard (“LCFS”) comes at an important time.

Bunge applauds the design of the LCFS, which has long been a centerpiece of California’s efforts to combat climate change. CARB’s foresight to design a market-based system that uses science to identify the carbon intensity (“CI”) of various fuels, and then incentivize investment in relatively low CI fuels, has proven to be both elegant and effective. Bunge encourages CARB to continue its efforts to refine the CI scores for all fuel types, including crop-based fuels. Ensuring the accuracy of these scores will allow the LCFS to function as intended. A cap on crop-based fuels — or any type of fuel — on the other hand, would be antithetical to the LCFS program.

During the November 9, 2022, public workshop, CARB introduced the California Transportation Supply (“CATS”) model for use in assessing reasonable trajectories for target setting. Along with the CATS model, CARB presented a baseline as well as three preliminary alternative scenario design options that would all achieve a 90% carbon intensity reduction target in 2045. CARB requested data and input on the possibility of imposing a limit on crop-based fuels in the LCFS. See Public Workshop Presentation at 28. CATS Model Alternatives A and B included an embedded assumption that a limit would be imposed on credits for diesel fuels derived from virgin oil feedstock. *Id.* at 29. In supplemental materials released, CARB noted that soybean oil, corn oil, canola oil, and white grease would potentially be included in the upper limit on credits for diesel fuels and requested feedback on inclusion of these and other feedstocks in the conceptual cap. See [Supplemental Workshop Frequently Asked Questions](#) Document at 7. CARB made clear

during the November 9 workshop that Alternatives A, B, and C were only three of many possible scenarios.

### **Investment in Crop Based Fuels is an Intended Outcome of LCFS and Consistent with Its Goals**

The LCFS was designed to reduce the state's reliance on petroleum-based fuels and encourage the use of less carbon intense fuels in the transportation sector. The program has repeatedly been highlighted as crucial to the state's efforts to combat climate change, including for example, in CARB's 2008 Climate Change Scoping Plan and its subsequent updates, including the 2022 Final Scoping Plan. Indeed, the market has overperformed relative to the required CI reduction in recent years and banked credits demonstrate the LCFS's success in incentivizing investment in alternative fuels.

Renewable diesel is a drop-in fuel that can achieve significant reductions in emissions, as compared to petroleum-based diesel, for heavy-duty transportation applications that cannot be easily electrified. See 2022 Final Scoping Plan Update at 190 (where CARB notes that the transition to complete zero-emission vehicle technology "will not happen overnight" and that low-carbon liquid fuels will be necessary in the near-term, including for legacy vehicles and hard-to-electrify sectors, "such as aviation, locomotives, and marine applications").

Bunge shares CARB's commitment to ensure that the CI scores for crop-based fuels accurately reflect the best science concerning indirect land use change ("ILUC") associated with use of crop-based feedstocks for fuels production. As the scientific community's understanding of land use change and economists' ability to accurately model land use change has continued to improve, CARB Staff has repeatedly updated its ILUC and CI scores to reflect this new knowledge and send the appropriate market signals. Bunge believes that CARB should continue improving the accuracy of CI scores, without abandoning the flexibility that is central to the LCFS.

The increase in production of renewable diesel fuel should be regarded as a success to celebrate and encourage rather than a challenge to be overcome by imposing arbitrary restrictions on the generation of crop-based biofuels. At Bunge, we know from experience that industry is capable of sourcing feedstocks for production of crop-based biofuels while also taking deliberate action to protect the environment. We welcome the opportunity to work with CARB to explore opportunities to ensure that biofuels entering the California market align with the goals underpinning the LCFS and continue to advance CARB's stated aims. At this time, we do not perceive a need for a cap on crop-based biofuels that are developed and designed to protect the environment.

### **Imposing a Cap on Lipid-Based Fuels Would Contravene Industry's Reliance Interest and Limit Future GHG Reduction Opportunities**

Industry has taken decisive action in response to the LCFS's carefully-constructed incentives. In the renewable diesel industry, these actions include altering business plans and projections, entering into new long-term agreements and joint ventures, and investing millions to develop

supporting infrastructure, such as converting existing petroleum refineries into renewable diesel facilities. CARB should not arbitrarily alter incentives for renewable diesel production without identifying a clear issue presented by market behavior, assessing the benefits and drawbacks of a range of options available to address the identified challenge, and determining that imposing a cap is the best solution. It is premature to consider — and incorporate into the CATS model — a constraint on crop-based biofuels because, to our knowledge, no clear problem has been identified. Imposing a cap on crop-based biofuels would invariably alter incentives for the biofuels industry, limit renewable diesel production, and shake investor confidence in the market.

Imposing a cap on credits for diesel fuels would have a range of ramifications beyond the proposal's intended purpose. The chilling effect on investments in crop-based biofuels is very likely to negatively impact research and development of sustainable aviation fuels. Investment in hard-to-electrify areas is critical to reach California's stated climate goals. Arbitrarily limiting the renewable diesel market will have a detrimental impact on efforts to develop lower-carbon alternatives to conventional jet fuel. Further, taking such an action without clear reasoning will create market uncertainty about the stability and direction of the LCFS and will likely have a dampening effect on investment in a variety of low-carbon fuels.

### **Public Materials Do Not Adequately Describe the Reasoning Behind and Nature of a Suggested Cap**

During the November 9 workshop, CARB indicated that it was contemplating a limit on crop-based fuels in part because of messaging in the draft 2022 Scoping Plan, as well as comments from the Board and feedback from stakeholders. We note that the Final 2022 Scoping Plan does not include any language that supports imposing or even considering a cap on lipid-based fuels. At most, the Final Scoping Plan indicates that CARB will monitor the science to ensure the LCFS is not causing problematic incentives and unintended consequences. See Final 2022 Scoping Plan at 191-192.

In response to oral feedback during the November 9 CARB workshop, CARB indicated that it would welcome logistical input as to how CARB might impose a cap on lipid-based biofuels. In accordance with the Final 2022 Scoping Plan, we urge CARB to first closely examine the status quo before deciding to impose major changes to a program that is achieving demonstrable results in reducing transportation emissions and supporting development of the infrastructure that will be needed to produce drop-in replacements for petroleum-based fuels used in heavy-duty applications for years to come.

Bunge would welcome an opportunity to better understand the scientific or technical basis that prompted CARB's proposed inclusion of a cap on lipid-based fuels as an assumption for CATS Alternatives A and B. Bunge could not identify any such basis in statements made by CARB, the information published regarding the CATS model, or public comments. In sum, the information that CARB has provided to-date in support of such a cap in the CATS model has not been transparent, complete, or helpful. We would appreciate the opportunity to examine and comment

on any specific assumptions or inputs that CARB has identified as supporting inclusion of a cap in Alternatives A and B or any future CATS scenarios developed.

We understand that CARB will hold additional informal workshops to continue exploring potential policy changes prior to the commencement of the formal rulemaking process. Bunge believes it is critical that CARB provide additional information about the scientific or technical basis for any limit on crop-based fuel, prior to commencing the formal rulemaking process.

\* \* \* \*

Bunge applauds CARB's continued efforts to set and meet ambitious decarbonization goals. We share CARB's optimism that the LCFS has served and will continue to serve as a powerful and exportable tool that can incentivize sustainable practices and products for the benefit of Californians and the environment. We look forward to working with CARB to explore how the renewable fuels industry's commitments to sustainability, deforestation-free crops, and traceability can be harnessed to send the most appropriate market signals and guard against unintended consequences.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Coviello". The signature is fluid and cursive, written in a professional style.

Robert Coviello  
Chief Sustainability Officer and Government Affairs