

Chairman Mary Nichols and Board Members
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

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GHI ENERGY™
BIOFUELS & RENEWABLES

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**RE: Low Carbon Fuel Standard
Proposed Fuel Pathway Registration Process**

July 6, 2015

Dear Chairman Nichols and Board Members,

Thank you for the opportunity to provide comments regarding the readoption of the California Low Carbon Fuel Standard and, in particular, the proposed modifications to the fuel pathway registration process as proposed in the draft regulation released on June 4.

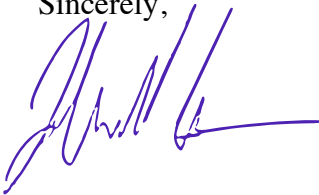
We comment today specifically about §95488(d)(2) subtitled "Provisional Pathways" wherein new biofuel facilities are granted only provisional status while waiting on two full years of operating data before being fully approved by ARB for unrestricted LCFS participation. While previous drafts of the new regulation applied this restriction only to new facilities producing novel and less proven Tier 2 biofuels, the June 4 draft captured new facilities producing established and well understood Tier 1 biofuels as well. Although the June 23 draft eased these restrictions to Tier 1 producers a small bit, they still allow for ARB to make unannounced changes to a new pathway and still retain a great deal of uncertainty to biofuel producers and investors. We believe that this is a serious miscalculation on the part of Staff that undermines the entire rationale for redesigning and streamlining the pathway application process.

GHI Energy urges ARB to modify this provision and to exclude new Tier 1 facilities from this provisional requirement completely, or, at the very least, **reduce the statutory provisional time period for new Tier 1 facilities to a much shorter duration (for example, three to six months)**. Given that the entire purpose of the new Tier 1 / Tier 2 designation is to "streamline" the application process based on Staff's familiarity with certain common types of biofuels, it would stand to reason that less operational data would be needed to ensure that a new Tier 1 facility is constructed and operating properly as compared to the more new and less proven types of facilities designated as Tier 2 that would logically require more operating data.

If ARB still believes that a two year provisional period is appropriate even for new Tier 1 facilities, then GHI would urge ARB to allow at least a portion of a new Tier 1 facility's' LCFS credits to be marketable and unrestricted, perhaps equal to a maximum "baseline" CI level (much like the Method 1 "Table" lookup in place today), and **make only the incremental portion of the pathway (i.e. CI reductions under the baseline) provisional instead.**

Given that Staff's compliance scenarios are heavily reliant on the introduction of new types of biofuels and the increasing consumption of existing fuels such as biomethane and biodiesel, it would stand to reason that the credit transfer restrictions that come from such a long provisional status could in effect "lock out" the development of new biofuels facilities and prevent the LCFS from achieving its ultimate 2020 carbon reduction goal. Combined with the proposed cost containment mechanism in the new regulation, this provisional designation could further reduce the perceived payback to investors in new biofuel facilities – thus causing them to decline to fund new facilities – and further risk the success of the LCFS in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "John M. Greene", with a long horizontal flourish extending to the right.

John M Greene
President