



July 8, 2015

Clerk of the Board,
Air Resources Board
1001 I Street,
Sacramento, California 95814

Dear Sir/Madam,

Enerkem appreciates the opportunity to submit comments on the modified text for the proposed re-adoption of the Low Carbon Fuel Standard (LCFS).

Enerkem is a leading waste-to-biofuels and chemicals company. We produce clean fuels and green chemicals from non-recyclable municipal solid waste, thus helping diversify energy sources while offering a sustainable alternative to landfilling and incineration. Our facility in Edmonton, Alberta (Canada) is the world's first commercial biorefinery to use municipal solid waste to produce biomethanol and ethanol. We are currently developing biorefineries in North America and globally, based on our modular and standardized manufacturing approach and using our proprietary biofuels technology, developed in-house since 2000.

The LCFS makes California a very attractive market for the low carbon ethanol to be produced at our Edmonton biorefinery (currently beginning operations), and also an attractive investment environment for developing future Enerkem facilities in the state.

We would first like to thank the Air Resources Board for taking low carbon fuel producers' concerns into account following the first 15-Day Modified Regulation Order by removing the limitations on the sale and transfer of credits generated under provisional pathways. Dropping this limitation removes a significant barrier to financing of projects to develop new capacity for low carbon fuel production in California and for the California market.

This change, while very important, does not resolve all issues relating to new low carbon fuel production facilities. The proposed rule still requires that facilities be in "full commercial production" for at least one full calendar quarter before even applying for a new pathway. The rule places new facilities in an extremely difficult commercial position, by effectively requiring facilities to be in commercial production but without possibility to sell the fuel produced. Considering the time from submission of a new pathway application to publishing of the CI, new facilities would, in effect, have to be in "full commercial production" for approximately one year before being able to sell fuel into the California market.

This places a significant damper on any plans to develop new low carbon fuel production facilities in California, as it is unclear how such facilities could sell fuel produced during the first year of commercial operations. The uncertainty concerning revenue streams following plant construction, and the barrier to selling fuel in the first year of operations, will undermine financing for projects utilizing innovative fuel technologies and thereby hinder attainment of the Air Resources Board's aggressive CI and petroleum reduction goals.

The provision also creates a barrier for out-of-state new production facilities that could potentially supply low carbon fuel to the California market, as without a CI it is nearly impossible to secure off-take agreements for low carbon fuel.

Enerkem urges the Air Resources Board to remove the requirement to have been in full commercial production for one quarter prior to applying for a new pathway, in order to encourage the production and commercialization of new low carbon fuels such as municipal waste to ethanol.

Enerkem believes that the power of the Executive Officer to adjust the number of credits or reverse any provisional credit in the producer's account, until the provisional CI has been successfully corroborated by operational records covering a full two years of commercial operation, is sufficient to enable verification of carbon intensity data from new production facilities. However, if the Air Resources Board considers it necessary to have operational data to verify the proposed carbon intensity of the new pathway at the time of application, greater flexibility could be afforded to companies by allowing some of this data to come from the company's existing pilot or demonstration facilities or from commissioning activities at the facility for which the pathway is being requested.

If the Air Resources Board wishes to limit pathway applications to commercial facilities that are being built, rather than leave the door open to the creation of pathways for which commercial projects have not yet been developed, Air Resources Board could consider requiring an independent engineering review and a site visit to be included with the application for a new pathway.

We thank the Air Resources Board for the opportunity to submit comments on the modified text for the proposed re-adoption of the Low Carbon Fuel Standard (LCFS), and hope that the Board will make the small changes necessary to enable low carbon fuel producers to secure the financing required to develop new production facilities, which will be needed to achieve the Board's greenhouse gas emissions reductions goals.

Sincerely,



Marie-Helene Labrie
Senior Vice-President, Government Affairs and Communications