

June 25, 2018

Mr. Sam Wade
California Environmental Protection Agency
Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Comments Submission

X. Modification to In-Use requirements for Specific ADFs Subject to Stage 3A
Section 2293.6 of the ADF Regulation

Dear Mr. Wade,

Thank you for the opportunity to submit comments specific to the subject matter.

Bifurcation

Biodiesel will play a key role in helping California meet its LCFS targets. Biodiesel use is forecasted to significantly grow over the next five years. Biodiesel blends above the seasonal allowances up to B20, hereinafter referred to as "BXX+", will underpin a significant portion of California's carbon intensity reduction goals. With the introduction of the ADF in January, the market has been establishing its BXX+ footing.

BXX+ presently finds its way into the market in a number of different ways with two common themes as follows:

1. NOX Mitigant is splash blended into biodiesel
2. BXX+ is splash blended

One of the growth limiting factors around BXX+ is that in-line blending (diesel and/or biodiesel and NOX Mitigant), at any locations, is a rarity. CARB should consider this reality because bifurcation will only complicate what is already a difficult market to supply BXX+.

NOX Mitigated biodiesel is generally purchased by 3rd parties that blend with diesel and supply the BXX+ market. Imagine a bifurcated market wherein this same 3rd party must buy biodiesel to (1) blend with diesel to supply the on-road market and (2) NOX mitigated biodiesel to supply the off-road market. Compared to the on-road ADF, where the truck stops dominate the BXX+ marketplace from a volume perspective, the off-road ADF suppliers are much less in numbers. The on-road ADF is more developed than the off-road market. The off-road ADF is in its infancy stages and will take more market development work.

Bifurcation will, at some point, introduce another BXX+ fuel – one with NOX Mitigant, one without. The off-road market will incur NOX Mitigant expenses while the on-road market will not. As a result, the wholesale market price for off-road diesel will likely be higher than on-road diesel.

Bifurcation will slow, or possibly impede, off-road ADF advancements; at some point an off-road BXX+ product may not be available for supply because of its separate supply chain requirements. Undoubtedly if bifurcation was to occur, the off-road BXX+ market will, at a minimum backslide, and less biodiesel will likely find its way into this market segment.

Biodiesel represents one of the key opportunities for fossil fuel replacement. Given the amount of off-road diesel in California (~30-35% of diesel fuel consumed in California), a significant portion of the diesel market may be precluded from using biodiesel, from a practicality perspective, if a bifurcation concept was adopted. Off-road diesel vehicles emit >250 tons per day of NOX emissions as well as additional particulate matter. The off-road diesel market could become one of the highest criteria pollutant emitting fuels if access to renewable fuel options is made difficult. Citizens of California in areas of high off-road vehicle populations face potential increased exposure of criteria pollutants should off-road BXX+ ADF volumes be negatively impacted because of bifurcation.

- How will bifurcation help meet the LCFS's carbon intensity reduction goals?
- Why is CARB considering bifurcation and how will any off-road ADF backsliding be prevented?
- Will CARB add language to the ADF which would define transition steps that must occur between on-road sunset and off-road continuity, ensuring BXX+ blends can reach the off-road market and if not, a sunset could not occur?
 - For example, blending infrastructure must be sufficient and in place to ensure that off-road BXX+ does not become a stranded fuel especially in high off-road use areas? (note: establishing such a step may in fact accelerate the advancement of overall biodiesel use).

Section 2293.6(a)(4)(A)

“The portion of VMT by on-road diesel vehicles in California represented by NTDEs will be determined using the most current CARB mobile source emission inventory and related tools.”

- Are the EmFac reports being abandoned for another “tool”? If so, why?
- Can CARB provide more specificity regarding the “most current CARB mobile source emission inventory and related tools”?
 - What is that “tool” today and could that tool change in the future?
- Can CARB provide the tool's historical perspective on VMT and NTDE's?

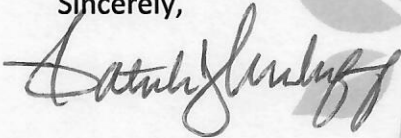
- What is CARB's best estimate for when the sunset provisions for on and off-road will occur? What is the underpinning behind these estimates.
- Will CARB be providing regular VMT and NTDE updates regarding progress towards the on and off-road sunset provisions?

A final comment about NOX Mitigation. Treat costs have been significantly reduced with the approval of more cost-effective NOX Mitigants. CARB estimated NOX Mitigant biodiesel treat costs would be \$0.10/gal (Staff Report 10/23/13); those estimates proved conservative – treat costs are better than forecasted. LCFS credit values are more than supporting this incremental cost.

We believe that all things considered, bifurcation is not prudent or in the best interest of the public at this time – the risk is more than the reward. There are just too many unknowns and the better decision would be to readdress bifurcation once more progress is made with the ADF. By abstaining from bifurcation, CARB can send a clear message to the marketplace that BXX+ infrastructure must be advanced prior to further bifurcation consideration.

We sincerely appreciate the opportunity to comment on CARB's LCFS proposed amendments. As always, we look forward to working with CARB through the rulemaking process.

Sincerely,



Patrick J. McDuff
CEO