

Commingling True-up Clarification

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Pathway: Biodiesel and all other commingled pathways

Comment

The proposed regulation order is complemented by new CI calculators which simplify the CI calculations for all the common pathways. The regulation continues to recognize pathways with multiple commingled feedstocks and products. For example, renewable diesel produced from a combination of tallow, used cooking oil and soy oil. Or, co-production of starch and cellulosic ethanol from the same corn feedstock.

The calculators are also meant to be a supporting tool which would make the verification phase easier for fuel producers. The calculators use the aggregate of all the months included in the input data to calculate the CI of any given pathway(s). However, it is not clear that what will be the range of period over which the data will be aggregated for verification purposes. This range of period is critical in regards with the commingling management of the feedstock/products utilized/produced at the facility. For any facility producing commingled products under multiple pathways, there will be a conceptual independence between the different varieties of products sold as entered on the LRT and their respective physical amounts produced. Closing this gap over a given period will be one of the objectives of the verification process.

This implies that, over a given period, the producer must ensure that they have sold the same amounts of the various products they have sold accurately matches the production after considering the inventory changes. Another objective of verification should be to make sure that the balance of the quantities of products produced and sold do not lead to a negative volume of any of the product at the end of the given period.

Moreover, the expectations of the balance closing should be limited to the beginning and the end of the period. The producer shouldn't be forced to demonstrate all the numbers lining up within that period as it leads to excessive costs in terms of collection and extraction of data, running data quality checks and organizing physical records of thousands of individual transactions (like daily production reports or bills of lading).

Therefore, we encourage that ARB should perform this balance check for commingled accounting specifically on a quarterly basis. Subjecting the producers to within-the-quarter accounting check will put undue pressure on their planning and operations. With a quarterly balance check, the verification program will be consistent with the LCFS reporting schedule and will allow the producers to be less susceptible to unexpected operational fluctuations. If calculators are the tool are supposed to assist the accounting during verification, such a period should also be clearly specified either directly in the calculators or their instruction manual.

Thank you for your consideration.

Best Regards,



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