



October 29, 2020

Mr. Richard Corey
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments in response to 15 day comment period for proposed ADF Amendments

Dear Mr. Corey:

On behalf of Renewable Energy Group, I want to take this opportunity to comment on the changes to the Alternative Diesel Fuels (ADF) regulation, proposed by staff, October 14, 2020 as part of a 15 day comment period in response to Board direction during the April Board meeting.

Renewable Energy Group Inc., (REG), is leading the energy industry transition to sustainability by transforming renewable resources into high-quality, cleaner fuels. REG is an international producer of cleaner fuels and North America's largest producer of biodiesel and a leading producer of renewable diesel. REG solutions are alternatives for petroleum diesel and produce significantly lower carbon emissions. REG utilizes an integrated procurement, distribution and logistics network to operate 13 biorefineries in the U.S. and Europe. In 2019, REG produced 495 million gallons of cleaner fuel delivering 4.2 million metric tons of carbon reduction. REG is meeting the growing global demand for lower-carbon fuels and leading the way to a more sustainable future.

As you know, we have been active in the California market since the implementation of the LCFS under AB32. Since its inception, we have been a significant supplier of biodiesel in California and since 2015, a growing supplier of renewable diesel.

Since the first webinar on this issue nearly a year ago, staff have characterized the proposed changes to the ADF as small and technical in nature and focused on the need to address new data in the additives market. Unfortunately, the record bears out that the changes staff have proposed and continue to refine are much broader than anticipated, introduce new topics not previously covered in any ADF workshop, and may impact the market in a number of unforeseen and potentially significant ways.

While we remain concerned about a number of details within the proposed amendments, we would like to commend the CARB staff for their engagement over the last five months. At the April Board meeting, the value chain was united in sharing with the

RENEWABLE ENERGY GROUP

416 S. Bell Ave., Ames, IA 50010 / +1 888 REG 8686 / regi.com



Board how frustrating and difficult the lack of consultation with staff had been over the development of the details of the original Amendments (see pages 103-120 Official Transcript). Since that meeting, staff have engaged our company and trade associations a number of times. We have been afforded the opportunity to share a variety of data and discuss the information staff was using to develop their proposal. While we continue to have reservations in a few important and critical areas, there is little question the process benefited from the dialogue and exchange and we are highly appreciative.

The remainder of our correspondence will focus on 3 key aspects of the current proposed amendments: 1) the timeframe for the proposed changes to become effective, 2) the inclusion of an R55/B20 NOx mitigated blend, and 3) the newly proposed 2% NOx reduction requirement for potential new blend submissions.

Timeframe

REG believes the shift in effective date is inadequate. The new amendments propose moving the implementation time from January 1, 2021 to April 1, 2021. This change appears to be in response to the near unanimous feedback that the marketplace will need more time to adjust and respond to the added complexity to the certification process CARB is proposing. Were the 15 day amendment changes proposed in June or July, this change would be reasonable and justified.

However, staff have taken several additional months before publishing the Amendments on October 14. It will take considerable effort for CARB to even finalize this rule before the end of the year. Any submission under the new protocol will have to be analyzed and approved by staff prior to beginning certification testing. It is highly unlikely CARB staff will be able to provide the analysis and feedback prior to the April 1 date. Further, the process CARB is proposing increases the testing facilities from 1 to as many as 3. Under the new Amendments, the simple logistics of contracting with a facility, procuring samples and preparing test rigs is longer than 3 months. Accordingly, we recommend the Board adopt a September 1, 2021 implementation date.

Staff may respond that the need to ensure NOx emissions do not increase outweigh any benefit to a later start date. We fully support the need to address NOx in California. However, the data does not support such a claim. We refer staff to our Comments of June 15 pages 4 and 5 for a more detailed explanation, and to the data submitted as part of our previous certification of RD/BD NOx mitigated blends.



Inclusion of a new R55/B20 approved blend

REG supports the inclusion of the new approved RD/BD blend formula. The inclusion of the new formula is consistent with the commitment staff made at the April Board meeting to revisit the calculations used to determine NOx mitigation. The 2.75 to 1 ratio is well supported by CARB data and reflects the thinking of staff as presented in the June workshop. While this level is indicative of the science, we wonder why staff have proposed leaving the original R75/B20 language initially approved in April in the final regulations. We think this is redundant and potentially confusing. By definition CARB is setting the lowest amount of RD which can be put into a renewable diesel/biodiesel blend, therefore higher amounts of RD would be acceptable and allowed. We recommend deleting the R75/B20 reference as errata.

New requirement for 2% NOx reduction on any new RD/BD blends below R55

First, CARB staff should be commended for recognizing that there is the potential for other RD/BD blends to be brought to market (see our June comments pages 5 and 6). Prohibiting new blend applications was an aberration from the previous amendments and we are pleased to see it is removed in this package.

Second, CARB's proposal for a 2% reduction in NOx over CARB diesel in any new blend application is arbitrary and unsupported by any meaningful data. The ADF is designed to ensure NOx neutrality in alternative diesel formulations. It was not promulgated to be a NOx reduction program. Creating a 2% reduction requirement offers a completely new concept outside of the scope of this regulation. The concept has never been discussed or alluded to previously; it was never a part of the workshops. Given it is a novel theory, it should not be introduced in a 15 day change.

REG fully supports the need to address NOx emissions in California and has consistently supported the ADF through its development and implementation. However, it is unclear if CARB has the authority to modify the ADF into a NOx reduction strategy; more importantly, the underlying data does not support such a move. Our previous comments highlighted a number of errors in the RD and BD penetration assumptions. Correcting for those errors significantly reduces the implied NOx impacts of biodiesel. In addition, the growing adoption of New Technology Diesel Engines (NTDEs) drastically reduces the impact of unadditized blends of biodiesel below B5. We ask the Board to delete the 2% reduction requirement.



In closing, we also want to direct staff to the comments submitted by the National Biodiesel Board and the California Advanced Biofuels Alliance. They provide additional detail around these and other issues; we agree with their comments and we wish to associate ourselves with their submission.

Enclosed for reference is a copy of our comments submitted in June.

Thank you to all the staff who have contributed their time and effort to bring the package to where it is today.

Sincerely,

Scott Hedderich, Executive Director
Corporate Affairs